

**SPECIAL ANNUAL DEBATE NUMBER**

# CONGRESSIONAL DIGEST

**WASHINGTON D.C.**



**THE PRO AND CON MONTHLY**

▼ **August-September, 1931** ▼

## **America and Compulsory Unemployment Insurance**

**Legislative Efforts -- Past and Present**  
**Possible Constitutional Limitations**  
**How President Hoover Views Question**  
**Voluntary Plans Now Operating in U. S.**  
**Details of Foreign Compulsory Systems**  
**Should America Adopt a Compulsory**  
**System?       -       -       Pro and Con**

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# The Congressional Digest

## The Pro and Con Monthly

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# The CONGRESSIONAL DIGEST ▼

Aug. - Sept., 1931  
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## Editors' Note - -

*IN response to an official request from the National University Extension Association and the National Forensic League to publish a special number of THE CONGRESSIONAL DIGEST on the subject of the 1930-31 Intercollegiate and High School debates, we have devoted this entire number of the DIGEST to Compulsory Unemployment Insurance, following our usual pattern by presenting the pertinent facts, with arguments, pro and con. The other regular features of the DIGEST, omitted this month, will be resumed with the October number.*

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## America and Compulsory Unemployment Insurance

### Foreword

▼ ▼ **I**N considering the question of unemployment insurance for America, the student must immediately distinguish between a voluntary system whereby industry and labor alone are responsible for the establishment and operation of any plan agreed upon between them, and the compulsory method drafted along the lines of European systems, whereby the Government, federal or state or both, establishes a plan which is mandatory upon industry and labor and supported largely by the public treasury.

It is also necessary, at the outset, to distinguish unemployment insurance from emergency unemployment relief for the reason that the Federal Government and practically every state in the Union is already engaged in administering some form of emergency relief. The insurance method is advanced as a permanent measure.

That the question of unemployment insurance will be brought to the attention of the incoming 72d Congress is undoubted. At the last session a resolution was passed by the Senate for an investigation of the entire subject by a special committee. This committee will begin hearings in September at which the various proposals for compulsory unemployment insurance for America will be submitted. Members of Congress are not committing themselves on the question until some definite measure is presented to them to study. In the meantime organized interests outside of Congress directly concerned are busy preparing for the expected legislative battle. It is also possible that the question may become a political football.

National unemployment insurance plans have been in operation in foreign countries since 1911. Before that Continental municipalities and other smaller units of government had adopted policies under which public funds were drawn upon for partial contributions to unemployment insurance systems, but it was not until 1911, when England adopted the system, that national unemployment insurance, with government contributions, came into existence.

In nearly all of the eighteen foreign countries where unemployment insurance now prevails, the Government participates in the costs and in most instances, notably in England, where the regular unemployment insurance funds have proved inadequate to meet the demands upon it, the Governments, by legislative action, have appropriated additional sums of money for relief funds of one kind or another, amounting, generally, to outright gifts to the unemployed. These "benefits," drawn from the public treasury, have become commonly known as "doles."

Beginning on page 201 the foreign plans as they are now operating are described in some detail, together with a brief comment of how they are regarded at home.

On page 200 the unemployment benefit plans in operation in America today are also briefly described. These efforts, which are entirely voluntary on the part of industry and to which both employer and employee contribute, are cited by opponents of a compulsory system as examples of the type of unemployment insurance that would be in keeping with American principles.

A brief chronology of legislative efforts to establish compulsory unemployment insurance in this country by Federal action will be found on page 194. To date neither the Federal Government nor any of the forty-eight state Governments have adopted such plans. On page 198 is given a summary of state action to date and in the pro and con columns will be found details of recent legislation proposals along this line which will no doubt again be presented to the various state legislatures when they meet.

In the pro and con columns this month the arguments are directed for and against Government participation of any kind in relation to the question. On the "con" side will be found a number of alternative proposals as well as approval in some cases of voluntary unemployment insurance. The question in general is whether or not the Government, federal or state or both, should compel the nation to adopt a system of unemployment insurance with or without the support of public funds.

# Congress and Unemployment Insurance

## Chronology, 1914-1931

### 1914

**T**HE U. S. Commission on Industrial Relations appointed by President Wilson in 1913 to study industrial conditions throughout the country made a report in which it recommended the study and preparation of plans for insurance against unemployment "in such trades and industries as may seem desirable." The Commission went out of existence in 1915. Its report was published as a Senate document (Sen. Doc. 415, 64th Cong., 1st Sess.).

### 1916

**I**N February, Representative Meyer London, N. Y., Socialist, introduced H. Res. 159 (64th Con. 1st Sess.) "for the appointment of a commission to prepare and recommend a plan for the establishment of a national insurance fund and for the mitigation of the evil of unemployment." This bill was referred to the House Committee on Labor, which held hearings on April 6 and 11, 1916. The bill was not reported.

Supporters of the London resolution always attributed its death in committee to the opposition of the late Samuel Gompers, then President of the American Federation of Labor.

In a speech before the annual convention of the American Federation in 1916 Mr. Gompers made the following statement regarding the London resolution and similar resolutions introduced during that year in several state legislatures:

"This resolution was introduced without consultation with the responsible representatives of the wage earners of the country \* \* \*. During the past year persistent agitation in favor of compulsory social insurance has been carried on. The agitation originated with an organization that is neither responsible to wage earners nor representative of their desires. It is very significant of the attitude and policy of those who have legislation of this class in charge that the measures they have drawn up were formulated without consultation with the wage earners and introduced in legislature with professional representatives of social welfare as their sponsors. The measures themselves and the people who present them represent that class of society that is very desirous of doing things for the workers and establishing institutions for them that will prevent their doing things for themselves and maintaining their own institutions."

As the result of this opposition on the part of the American Federation of Labor all concerted efforts to obtain Federal unemployment insurance legislation were dropped. Occasional bills were later introduced in Congress, but even their authors made no effort to press them and no consideration was given to them by the committees to which they were referred.

### 1928

**O**N May 3, the Senate adopted S. Rec. 219, 70th Congress, 2nd Session, introduced by Senator James M. Couzens, Mich., R., directing the Senate Committee on Education and Labor to make an investigation of the causes of unemployment and methods for its relief, including unemployment insurance.

The study was conducted by a subcommittee of the Committee on Education and Labor, composed of Senator Couzens (chairman), Phipps, Colo., R., Tydings, Md., D., Walsh, Mass., D., and Sheppard, Tex., D., assisted by Dr. Isador Lubin, of the Institute of Economics of the Brookings Institution.

Exhaustive hearings were held during December, 1928, and January and February, 1929, and the report, approved by the full committee, and with a comprehensive summary by Dr. Lubin, was filed March 1, 1929, and published as Senate Report No. 2072, 70th Cong., 2nd Sess.

On the question of unemployment insurance the committee reported as follows:

"We think it is generally agreed by the witnesses that at the present time the following conclusions would be drawn from the evidence:

"1. Government interference in the establishment and direction of unemployment insurance is not necessary and not advisable at this time.

"2. Neither the time nor the condition has arrived in this country where the systems of unemployment insurance now in vogue under foreign governments should be adopted by this Government.

"3. Private employers should adopt a system of unemployment insurance and should be permitted and encouraged to adopt the system which is best suited to the particular industry."

### 1930

**T**HE industrial depression and the drought of 1930 gave impetus to the discussion in both houses of Congress during the session of 1930-31 of various forms of unemployment relief. These discussions were, however, confined to temporary relief and some form of work planning. (See CONGRESSIONAL DIGEST for January, 1931.)

Unemployment insurance was not considered nor even discussed by its principal advocates because they felt that their immediate attention should be concentrated on emergency relief and such work-planning legislation as could be passed at that session. Hence there were no debates in either branch of Congress on unemployment insurance.



Altogether but five unemployment insurance bills were introduced in the 71st Congress, all of which were introduced in the third session (December, 1930, to March, 1931).

These five bills were as follows:

S. 5350, introduced by Senator Wagner, N. Y., D., on December 15, 1930, amending the Revenue Act of 1928 so that relief trusts might be formed by employers and employees and be exempted from taxation. This bill was referred to the Committee on Finance, but the committee took no action.

S. 5634, introduced by Senator Wagner on January 9, 1931, providing for "Federal cooperation with the several states in providing insurance against unemployment." This bill provided for an annual appropriation of \$100,000,000 from the United States Treasury to be apportioned among the states, the amount of the Federal allowance to be not more than one-third of an amount appropriated by the State.

This bill was referred to the Committee on Commerce, but the committee did not act on it.

H. R. 15269, introduced by Representative Fiorella LaGuardia, N. Y., R., providing for the creation of a Federal Employment Commission and the maintenance of a Federal unemployment insurance fund.

The LaGuardia bill provided for a definite system of taxation of employees and employers and on sound motion picture films, phonographic and other mechanical reproduction records of music, speech or other sound and on stocks and bonds, to raise revenues for the proposed Federal insurance fund. The Administration of the provisions of the act would be in the hands of the proposed Federal Employment Commission.

This bill together with H. R. 16741, a similar bill, introduced by Representative Frank Crowther, N. Y., R., were referred to the Committee on Ways and Means, but the committee took no action.

H. R. 15257, introduced by Representative D. J. O'Connell, N. Y., D., on December 16, 1930, was identical with Senator Wagner's bill, S. 5350, to amend the revenue act in the interest of unemployment insurance funds. It was referred to the Committee on Ways and Means, but was not acted upon.

Since all legislation dies at the end of a Congress, all unemployment insurance bills will have to be reintroduced in the next Congress.

## 1931

ON February 28, the Senate passed S. Res. 483, 71st Congress, 3rd Session, introduced by Senator Robert F. Wagner, N. Y., D., providing for the appointment of a select committee of three Senators to study unemployment insurance.

The resolution provides that the committee make its study and report to the Senate not later than December 7, 1931.

Pursuant to this resolution the Vice-President appointed as members of the committee, Senators Felix Hebert, R. I., R.; Olis F. Glenn, Ill., R., and Robert F. Wagner, N. Y., D. Senator Hebert was made chairman.

The committee met and organized and decided to hold hearings beginning in September. Senators Hebert and Glenn both visited Europe during the summer. Upon his return to Washington Senator Hebert announced, on August 10, that the exact date for the hearings would be fixed as soon as he had communicated with Senators Glenn and Wagner and that he anticipated that the committee would be able to make its report with recommendations on December 7, 1931, as provided in the Senate Resolution.

"I still have an open mind," Senator Hebert said, in a press statement, "and I hope to hear exhaustive testimony upon this vital subject. It may be that we can evolve some plan radically different from any heretofore tried.

"However, I have about reached the conclusion from interviews I had abroad that any Federal system of unemployment insurance will lead us to the dole. They have that situation in England today."

It is expected that at the hearings of the Senate Select Committee all organizations and individuals who have plans for unemployment insurance will present those plans and that before the hearings are closed every conceivable program for unemployment insurance will have been presented.

Two of the biggest organized groups interested in the question—the American Federation of Labor and the Chamber of Commerce of the United States—are expected to make known their views. Both these organizations are making studies of the unemployment situation, but their final reports will not be ready for some weeks.

The progress of efforts toward the enactment by Congress of unemployment insurance legislation will be reported in THE CONGRESSIONAL DIGEST from month to month.

## President Hoover and Unemployment Insurance

**P**RESIDENT HOOVER on several occasions has declared himself in favor of a system of unemployment insurance independently set up by private industry with participation by employers and employees, but as opposed to Government participation on the ground that it would inevitably lead to a dole.

Mr. Hoover, as Secretary of Commerce, in an address to the President's Conference on Unemployment in 1921, said:

"In the other countries that have been primarily affected by unemployment as a result of the war, solution has been had by direct doles to individuals from the public treasury. We have so far escaped this most vicious of solutions that can be introduced into government."

In an address, at the dinner of the Indiana Republican Editorial Association at Indianapolis, Ind., June 15, 1931, President Hoover said:

"We have had one proposal after another which amounts to a dole from the Federal Treasury. The largest is that of unemployment insurance. I have long advocated such insurance as an additional measure of safety against rainy days, but only through private enterprise or through cooperation of industry and labor itself. The moment the Government enters into this field it invariably degenerates into the dole. For nothing can withstand the political pressures which carry governments over this dangerous border. The net results of governmental doles are to lower wages toward the bare subsistence level and to endow the slacker. It imposes the injustice of huge burdens upon farmers and other callings which receive no benefits. I am proud that so representative an organization as the American Federation of Labor has refused to approve such schemes."

On July 3, 1931, a committee of the People's Lobby, headed by Professor John Dewey, of New York, president of that organization, sent to the President a memorial requesting him to call an extra session of Congress to pass legislation appropriating  $3\frac{1}{2}$  billion dollars for unemployment relief, a building program and unemployment insurance. Of this sum \$250,000,000 was asked for subvention of state unemployment insurance systems to expedite the adoption of such systems.

In reply to this memorial, President Hoover made the following statement:

"I do not propose to call an extra session of Congress. I know of nothing that would so disturb the healing processes now undoubtedly going on in the economic situation. We cannot legislate ourselves out of a world depression; we can and will work ourselves out. A poll of the members of Congress would show that a large majority agree with me in opposing an extra session."

ment, appointed in October, 1930, has been steadily at work for several months assisting private industry in a comprehensive study of the unemployment problem, with special efforts toward developing systems of employment assurance designed to stand the test of the most severe unemployment situations that may arise in the future. It is expected that this committee will make a report to the President before December on which he can base his message to Congress, which, it is understood, will include definite recommendations concerning the responsibilities of the Federal Government in connection with unemployment.

**A**CCORDING to a news dispatch from the Washington bureau of the *Christian Science Monitor* published August 15, 1931:

"A plan calling for the guaranteeing of jobs of employed workers during the coming winter is understood to be under consideration by President Hoover.

"The plan, if instituted, would have to be voluntary. Employers could not be coerced into such a program, it is pointed out. Its success would depend entirely upon the extent to which the President could secure the support of employers and industry in general in making the project sufficiently effective.

"The objectives are: By assuring workers of their jobs, the apprehension of unemployment would be lifted and they would be willing to spend more freely; a powerful agency of morale would be developed among the workers to offset widespread alarm and concern that is reported current throughout their ranks; and such a plan is seen as a powerful counter-factor against unemployment insurance and dole schemes slated for demand at the forthcoming session of Congress.

"The possibilities of industrial support are now being canvassed by the President, it is stated.

"In administration circles this 'employment assurance' plan, as distinguished from 'employment insurance' is being hailed with much enthusiasm. It is declared by friends of the President that if he can put this program through it would be a boon to industry and business, as well as an incalculable factor in reviving the morale of this country in general.

"The proposal, it must be understood, is not the President's panacea for meeting the economic situation that the country is expected to experience this winter.

"The President's complete plan includes measures for aiding those out of work and taking steps to open avenues for employment. But he considers it absolutely essential, it is declared, that the morale of the great majority who are employed should also be 'perked up' and a widespread program of 'guaranteed employment' would accomplish this instantaneously.

**T**HE President's Emergency Committee for Employ-

*Continued on page 224*

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# The U. S. Constitution and Compulsory Unemployment Insurance

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by Isidor Lubin

ANY attempt to inaugurate a federal system of unemployment insurance will be fraught with constitutional difficulties. Under the Constitution the powers of the federal government are limited to definitely prescribed functions. Thus Congress is empowered to "lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States;" to borrow money; to regulate commerce with foreign nations and among the several states; to establish post offices and post roads; to declare war and perform other functions relating to naturalization, coinage of money, patents, courts, the army, and the navy. Beyond the making of laws "which shall be necessary and proper for carrying into execution" the powers vested by the Constitution in the government of the United States, Congress cannot legislate. The tenth amendment to the Constitution, declared in force on December 15, 1791, makes clear beyond doubt that the powers of Congress are limited to those enumerated in the Constitution. The language of the article specifically states that "the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

When the federal government undertook to prohibit slavery, it was necessary to add to the Constitution the thirteenth amendment which stated that slavery shall not exist in the United States and gave to Congress the specific power to enforce the amendment. Similarly, it was necessary to add the eighteenth amendment to the Constitution in order that the federal government might prohibit the sale of intoxicating liquors. These powers and others which have been secured by Congress by Constitutional amendment had been previously reserved to the individual states and had been held to be outside the province of the federal government.

Since the establishment of compulsory unemployment insurance does not come within the compass of the enumerated powers of Congress, it is highly probable that the courts would consider a federal compulsory insurance law unconstitutional. Consequently, any attempt at such legislation by Congress will have to be drawn up in a manner which would make it appear that the law is one which comes within the constitutionally prescribed powers. Such attempts have been made in the past, some with success and some without.

The most favored vehicles for the inauguration of such legislation are (1) the taxing, and (2) the interstate commerce powers of Congress. The former was used in 1912 when in order to stop the use of poisonous phosphorous in the manufacture of matches, Congress under its powers of internal revenue taxation placed a prohibitory

tax of two cents per hundred on matches containing white phosphorous. The power to regulate interstate commerce was used as the basis for an attempt to put into effect a national child labor law in 1916 when Congress forbade the transportation and interstate shipment of the products of factories in which children under fourteen were employed. The United States Supreme Court, however, held this law unconstitutional on the ground that it was an *undue extension* of the power to regulate interstate commerce. *Hammer vs. Dagenhart*, (247 U. S. 251). The Court, in other words, held that Congress could not use its power to regulate interstate commerce for a purpose not directly tied up with interstate commerce, namely: regulating child labor. This function has been held to be only within the powers of the individual states. Having failed to regulate child labor under the interstate commerce powers, Congress attempted in 1919 to secure the same end by the use of its taxing power. That is, it imposed a prohibitive tax of ten per cent on the annual net profits of any concern employing children in violation of certain standards. This legislation was also declared unconstitutional by the Supreme Court, which held in effect that Congress could not interfere with the powers of the individual states by a tax "which had as its real end the compliance with regulations which have no relation to the collection of the tax itself." (*Bailey vs. Drexel Furniture Company*, 259 U. S. 20).

Despite the failure of Congress to realize its end in the child labor laws, it is within the realm of possibility that attempts will be made to pass compulsory unemployment insurance legislation under the interstate commerce and taxation powers. The constitutionality of a law prohibiting the interstate shipment of goods produced in a plant which does not insure its workers against unemployment or imposing a tax on such goods is problematical. It is conceivable nevertheless that the taxation power of Congress might be used in a negative manner with possible success. That is to say, plants which meet certain requirements as to unemployment insurance might be exempted from a portion of the profits taxes which are imposed by the federal government. The constitutionality of such a measure has not been tested.

Aware of the constitutional difficulties which stand in the way of federal compulsory insurance legislation, the sponsors of such legislation as has been proposed have attempted to stimulate the individual states to enact compulsory insurance laws for the workers within their jurisdiction. This they have sought to accomplish by having the federal government give financial aid to those states which enact such legislation. Under the proposed legislation, in other words, the federal government shall share with the individual states such costs as these states might assume. Experience with "federal aid" in the field

*Continued on page 224*



# The States and Compulsory Unemployment

## Insurance

*THE following introductory paragraphs are taken from an article by Beulah Amidon published in the Survey-Graphic magazine of April, 1931.*

**T**HE study, discussion, reports and hearings that have followed the introduction of unemployment insurance bills in legislatures are helping lift the question out of the fog of prejudice to a level where fact-finding and clear thinking are possible. Whether or not any of these experimental bills are enacted, their introduction has served a useful purpose.

A bill drafted by the American Association for Labor Legislation has been widely used in framing the unemployment insurance measures introduced the past winter. The Association draft, entitled An Unemployment Reserve Act, requires each employer to pay a fixed percentage of his payroll into a mutual unemployment reserve fund, out of which workers, laid off for lack of work, receive a limited proportion of their wages for a limited period of time. Under this plan the employees do not contribute directly to the fund.

In Wisconsin, two bills have been introduced, both of which are lineal descendants of the original Huber bill, first introduced in 1921. Both the Nixon and the Groves bills put the full burden for an unemployment reserve on employers and both provide for a state fund in which contributions are deposited. The Nixon bill provides that employers' contributions should be pooled in funds by industries, that the rates of contributions should be fixed on insurance principles, varying from industry to industry, and that individual employers should have a special "experience rating" on the basis of the unemployment records of their own plants. In contrast, the Groves bill provides that the contributions of each employer are to be kept in a separate "employer's account" to be used only to pay benefits to his own workers and never to be merged with any other employer's account; that the rate of contribution is set at  $3\frac{1}{2}$  per cent of the payroll, and that if an employer's account reaches an amount equal to \$80 for each employee he may cease all contributions so long as his account remains above this figure. The Groves bill differs from any measure proposed elsewhere, but it is similar to many private unemployment compensation plans, such as that of Dennison and the joint scheme of fourteen employers in Rochester, N. Y.

In Ohio, a bill was drafted by Marvin C. Harrison, a Cleveland attorney, based on a study made by the Consumers' League. The Harrison bill differs widely from the American Association for Labor Legislation measure. It calls for a contribution of  $1\frac{1}{2}$  per cent of his wages by the employee and from  $1\frac{1}{2}$  to 3 per cent of his payroll by the employer, according to the prevalence of unemployment in his own plant.

In Connecticut, an unemployment insurance bill was

killed in committee but a measure providing for an investigating commission is still pending. Bills have also been introduced in Maryland and in Michigan, where they were promptly killed in committee, and in Missouri and Pennsylvania, where at this writing no action on them has been taken.

Several measures dealing with unemployment insurance have been introduced into the New York legislature. Most publicity has been given to the Mastick-Steingut bill which is in all essential the American Association for Labor Legislation measure. The chief opposition has come from the National Association of Manufacturers and the State Federation of Labor. Organized labor in New York sponsors a bill providing for a commission to study the whole question of unemployment insurance and its application to American conditions.—*Extracts.*

### 1916

**MASSACHUSETTS**—In January what is considered the first unemployment insurance bill ever introduced in the United States was introduced in the Massachusetts House. It was the joint product of the Massachusetts Committee on Unemployment and the American Association for Labor Legislation. Hearings were held but the bill was not reported from Committee.

The Legislature passed a resolution for the appointment of a joint legislative and executive commission to study general labor conditions.

### 1917

**IN** February this joint commission made its report favoring state employment bureaus but making no recommendations on unemployment insurance.

Two members of the Commission, however, filed a minority report recommending the passage of unemployment insurance legislation. No action was taken by the Legislature.

**NEW YORK**—The first social insurance bill was introduced by Representative Orr, Socialist. This, and bills by Representative Cuvillier, in 1926 and 1927, were never reported out of committee.

### 1921

**WISCONSIN**—The famous Huber bill was first introduced by Senator Huber, providing for compulsory unemployment insurance, but was not reported from committee.

With various amendments the Huber bill was reintroduced in the Wisconsin Legislature in 1923, 1925 and 1927. In 1925 the bill was defeated in the Senate, 20 to 12. In 1927 it was defeated in the Assembly, 66 to 20.



## 1922

**MASSACHUSETTS**—On January 22, Representative Henry L. Shattuck introduced in the Massachusetts House a bill for unemployment insurance. The bill was referred to a special commission on unemployment, which reported against the bill and the House unanimously adopted the Commission's report (see p. 213).

## 1923

**MINNESOTA**—The first unemployment insurance bill was introduced in the Minnesota legislature. It was reported from committee but the committee report was rejected. This action was repeated in 1925 and again in 1927 when the bill was indefinitely postponed by a vote of 55 to 32.

## 1927

**CONNECTICUT**—Representative Steiber, Socialist, introduced a bill in the Connecticut House for compulsory unemployment insurance. After hearings the judiciary committee reported adversely and the bill was rejected by the House on March 10 and by the Senate on March 13.

## 1931

**CALIFORNIA** passed a bill creating a commission to study unemployment.

Oregon passed a bill to study old age and unemployment insurance or relief.

In the following states bills relating to unemployment insurance were defeated or are pending:

A bill for a complete system of state social insurance—New York. Also bill for a commission to study a complete system of social insurance.

Bills for state old-age and unemployment insurance—Michigan and Pennsylvania.

Bills for unemployment insurance or benefit funds, nearly all bureaucratic—California, Colorado, Connecticut, Illinois, Indiana (2), Maine, Maryland, Massachusetts (4), Minnesota, Missouri, New York (8), North Dakota, Ohio, Pennsylvania (2), Rhode Island, Washington and Wisconsin.

Bills for commissions to study unemployment and/or unemployment insurance—Connecticut, Illinois, Massachusetts, Michigan, New Jersey, New York (8), Wash.

Bills for compulsory old age insurance—Massachusetts, New York.

# A Glossary of Unemployment Insurance Terms

**PREPARED** for the CONGRESSIONAL DIGEST by the Bureau of Labor Statistics, U. S. Dept. of Labor.

**Actuarial.**—Based on calculations by actuaries of insurance risks and premiums.

**Communes.**—The smallest administrative districts in various European countries; similar to cities or towns.

**Compulsory unemployment insurance.**—A system of Government insurance against unemployment under which workers in specified classes are automatically insured, the employees and generally the employers being required by law to contribute (usually a percentage of their wages or pay roll) to the cost of such insurance and frequently the Government also contributing.

**Dole.**—A popular term for "extended benefit," "uncovenanted benefit," and "transitional benefit."

**Extended benefits.**—Under the British unemployment insurance scheme, the benefit paid an unemployed person who was normally employed in an insurable employment, but had made an insufficient number of contributions or even no contributions at all, provided he was genuinely seeking work and unable to obtain it. This provision has always been regarded as temporary.

**Ghent system.**—The creation of a public fund by a municipality, to be increased by private gifts, and to be used in supplementing the out-of-work benefits given by trade-unions. Nonunionists can get similar aid by paying dues to a special thrift fund.

**Invalidity pension.**—An amount paid, generally monthly, by an insurer or employer when a person becomes permanently incapacitated for work by disease.

**Insurance.**—A system which, for a consideration, guar-

antees against loss or damage from a contingent event, such as death, invalidity, accident, unemployment, etc.

**Labor union.**—An association of workers, generally of the same trade or industry, for the promotion or defense of their economic interests.

**Old-age pension.**—An amount paid, generally monthly, by an insurer or employer, when a person reaches a specified age (ranging as a rule from 50 to 70 years) and retires from work.

**Salaried employees.**—Clerks and other employees who have permanent positions and are paid a fixed regular amount, generally payable by the year, quarter, or month.

**Sick benefit.**—A specified amount paid at stated intervals by an insurer or employer when a person is incapacitated for work by temporary illness, generally after a specified number of days as a waiting period.

**Social insurance.**—Government instituted or administered insurance, covering certain classes of society—generally workers—and insuring against the common risks of society, such as death, sickness, invalidity accident, unemployment, etc.

**Superannuation.**—A retiring allowance or pension.

**Trade-union.**—An association of workers of the same trade for the promotion and defense of their economic interests.

**Transitional benefits.**—In Great Britain, the same as "Extended benefits." (See "Extended benefits.") In other countries benefits paid during a transitional period.

**Unemployment benefits.**—The amounts paid, under an unemployment insurance system, to an insured worker

*Continued on page 223*

# Unemployment Benefit Plans Now Operating in the United States

ON August 15, 1931, the Bureau of Labor Statistics of the U. S. Department of Labor published a report entitled "Unemployment Benefits in the United States and Unemployment Insurance in Foreign Countries," containing the results of a survey made under the supervision of the chief of the bureau, Ethelbert Stewart. The following summary is taken from that report:

FOR the purpose of the survey no very precise definition was attempted as to what constitutes an unemployment-benefit plan. Broadly speaking, the effort was to include all plans which sought to protect the worker against the evils of unemployment either by assuring him a certain steadiness of work or by guaranteeing him a certain money benefit in case he should be laid off because of lack of work. Plans concerned solely with the stabilization of production and thus of employment, but which offered no guaranty to the employee either of work or income, were not included.

The survey found that 79 unemployment-benefit or employment-guaranty plans were in existence. The number of employees potentially affected by these plans was about 226,000, but the number actually eligible to benefit at the time of the survey was considerably less than this number. The plans were distributed, by type, as follows:

*Fifteen company plans*; i. e., those established by employers either individually or in groups. These companies employed about 116,000 employees at the time of this study, and of this number it is estimated that slightly more than 50,000 were eligible to benefits.

*Sixteen joint-agreement plans*, established by agreement between trade-unions and employers, and covering approximately 65,000 workers. In some instances union membership totals were used, as the figures representing number of persons eligible were not available.

*Forty-eight trade-union plans*, maintained solely by labor organizations, either national or local, for the benefit of their own members. These covered about 45,000 persons.

No general statement can be made regarding the degree of success of these plans. In this connection, however, it is of the utmost importance to note that the real success of a plan must be judged in relation to the degree of protection it offers to those covered. For instance, if all or a large portion of the unwanted workers are simply discharged or dropped after a short period of benefit, a plan may function very successfully for the retained workers, but will have done very little toward meeting the real problem of unemployment. On the other hand, if the effort is to take care, for a considerable period, of all the workers under a given plan, the statistical showing may be unfavorable, but the plan may be fundamentally much more successful than the one cited in the previous illustration.—*Extracts.*

## Details of Plans Summarized

### I. Union Plan

#### II (A) NEW YORK TYPOGRAPHICAL UNION No. 6, NEW YORK.

Covers all members of union.

*Contributions:*  $\frac{1}{2}\%$  of weekly earnings for 26 wks. April to September.

*Qualifications:* Member in good standing one year and must sign five consecutive days.

*Benefit:* Waiting period one week. Payment for seven wks. between June 15th and September 15th, not more than four payments in six consecutive weeks. Benefit varies from \$8 for one to two years' service, to \$14 for four years. \$35,000 maximum to be paid for benefits, \$10,000 contribution to school for Printers Apprentices of New York.

*Administered* by benefit board of five members appointed every 2 years by the president of the union. Various bodies for appealing cases, the union itself being the last resort.

### II. Joint Union and Employer Plans

#### II (A) INTERNATIONAL LADIES GARMENT WORKERS OF CLEVELAND.

Covers all Cleveland workers belonging to this union.

*Contributions:* No contributions. Employer gives bond for 10% of payroll.

*Qualifications:* Member in good standing, etc. Working elsewhere does not disqualify.

*Benefit:* Employment guaranteed for 20 wks. each  $\frac{1}{2}$  year. Half pay for any of this time if job cannot be furnished.

*Administered* by Board of Referees.

\*There are no compulsory plans of unemployment insurance in America.

#### II (B) AMALGAMATED CLOTHING WORKERS OF CHICAGO.

Covers all Chicago workers belonging to this union.

*Contributions:*  $\frac{1}{2}\%$  of wages from workers; 3% from employers raised from  $\frac{1}{4}\%$ .

*Qualifications:* Contributor for 1 year, member in good standing and usual qualifications on availability and willingness.

*Benefit:* Waiting period, 1 week (originally 2). Benefit of 40% of wage, if fund allows, maximum of \$20, payable for 7 $\frac{1}{2}$  wks. (raised from 5), but only 1 payment for every 10 contributions for those who voluntarily interrupt payment of contributions. Trustees have reduced benefit to 30% and \$15 maximum.

*Administered* by Board of Trustees consists of equal number (not exceeding 3) representatives of manufacturers and union, and an impartial chairman. Only chairman is paid.

#### II (C) AMALGAMATED CLOTHING WORKERS OF ROCHESTER.

Covers all Rochester workers belonging to this union.

*Contributions:*  $\frac{1}{2}\%$  from both employee and worker, but latter has been waived.

*Qualifications:* Similar to Chicago. (above).

*Benefit:* Waiting period, 88 working hours, benefit is 25% of full time wages, with maximum of \$12.50. 1 payment for each 20 contributions, for maximum of 5 weeks.

*Administered* by Board of Trustees, similar to Chicago Plan.

#### II (D) AMALGAMATED CLOTHING WORKERS OF NEW YORK.

Covers all New York workers belonging to this union.

*Contributions:*  $\frac{1}{2}\%$  of wages bill paid by employer only.

*Qualifications:* Similar to Chicago.

*Benefit:* Payable from time to time under terms to be decided by the Board of Trustees.

*Continued on page 223*

# Foreign Systems of Unemployment Insurance

## Introduction

UNEMPLOYMENT insurance under public control or authority has been established by legislation in 18 foreign countries. In two of these—Luxemburg and Spain—the legislation has not as yet been put into effect. In the other 16 countries, unemployment-insurance systems are in active operation.

The systems established fall into two main groups, usually distinguished by the terms "compulsory" and "voluntary." Compulsory systems are those in which unemployment insurance is made obligatory for certain designated classes of workers and under definite conditions prescribed by law. Voluntary systems are those in which unemployment insurance through private organizations is recognized, encouraged, and even subsidized by the State, but the establishment of such insurance is not obligatory.

The 18 countries having unemployment-insurance legislation are almost equally divided between these two types, the legislation in 9 countries being compulsory in character and in 8 voluntary, while in 1 country—Switzerland—the cantonal legislation is in some cases compulsory and in others voluntary. The distribution of the 18 countries on this point and the date of the first legislation on unemployment-insurance in each country, are as follows:

### Compulsory System:

Austria .....	1920
Bulgaria .....	1925
Germany .....	1927
Great Britain.....	1911
Irish Free State...	1920
Italy .....	1919
Luxemburg .....	1921
Poland .....	1924
Greenland .....	1922

### Voluntary System:

Belgium .....	1920
Czechoslovakia ...	1921
Denmark .....	1927
Finland .....	1917
France .....	1905
Netherlands .....	1916
Norway .....	1915
Spain .....	1931

### Mixed System:

Switzerland .....	1924
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As indicated above, legislation on unemployment insurance is a recent development. Only two of the existing systems antedate the World War. The others were all creations of war and postwar conditions, the German system having been put into effect as late as 1927. As a result of this element of newness, practically all the systems now in effect are recognized as being more or less experimental and subject to constant changes, particularly during the current period of industrial depression, when the pressure is far greater than that which the original systems were designed to withstand.

The descriptive reports for these countries were prepared by the consular representatives of the United States

Department of State in the several countries concerned. Extracts from opinions of competent authorities, representing various points of view in those countries, are presented below.

## Summary of Opinion

**Australia (Queensland)**—Employers consider the unemployment relief as a direct tax on industry, from which, however, industry receives no benefit. Although workers, employers, and the Government contribute equally to the fund, the workers are the only ones who receive benefit from the operation of the fund. It is more than eight years since the act was placed in operation and organized employers have ceased to voice their objections to the unemployment relief scheme.

Each reduction in the benefits paid by the unemployment relief fund has been protested by the various workers' unions. It is maintained by these organizations that the present unemployment relief benefits do not even approximate a minimum standard of living.

There has been some favorable comment from the general press regarding the operation of the unemployment relief fund. It is said that during the recent depressed business conditions many workers who lost jobs through no fault of their own were assisted through a period of unemployment by the operation of the fund.

**Austria**—The present unemployment insurance system in Austria meets with much opposition on the part of the employers, who claim that the burden which it causes is insupportable and is apt to ruin the country. This opposition is directed partly against the principle of unemployment insurance and partly against particular items in the present system. The wage and salary earners, on the other hand, strongly favor the insurance system and aim to extend and increase its benefits still further. The general public leans either to one side or the other, depending on its political orientation, but it is chiefly interested in the problem from the viewpoint of price development and taxes.

The manifold complaints have caused the Government to initiate a far-reaching reform of the entire social insurance system.

According to the latest newspaper reports, a plan to divide the reform into two phases is being considered. The first phase would merely change the unemployment insurance system on points in regard to which further delay might mean financial disaster. The reform of the other branches of social legislation would be left till a later time.



**Bulgaria**—The Social Democratic Party, originator of the social insurance system, continues as an active supporter. Employers as a whole were originally against the system, and are still somewhat dissatisfied, mainly on account of the many formalities and responsibilities it places upon them and of the contributions they are required to make.

The public as a whole looks favorably on the system as a work of public welfare, quite independently of any inherent technical defects.

The Workers' Party, with communistic tendencies, is the only avowed opponent to the system. This party wants an insurance system covering all risks, the funds to be entirely provided by the State and by the employers.

**Germany**—The employers at first vehemently opposed the introduction of compulsory unemployment insurance. Before long, however, they began to feel that unemployment insurance also had certain advantages. It tended to stem the tide of radicalism and also to stabilize the labor market by keeping a steady and ready supply of qualified and specially skilled and trained workers at the employers' disposal. Unsupported, unemployed skilled workers who had taken up some other occupation in order to make a living lost a high percentage of their efficiency when they returned to the trade which they had learned.

The chief opposition coming from the employers today is directed more against numerous alleged abuses due to still existing deficiencies of the present system rather than against the principle of unemployment insurance or unemployment relief as such.

The wage earners are, of course, strongly in favor of the entire system. The only objection they have is that the benefits and support allowances are not high enough, but they resist payment of even a fraction of a per cent more in contributions.

Unemployment insurance and unemployment relief are regarded by wage earners as well as by salaried employees as the best method for preventing the unemployed from appearing on the labor market as a potential force for reducing wages.

The attitude of salaried employees is much the same as that of wage earners, except that they protest against being thrown into one group with the wage earners, not on account of class distinction but for reasons of the insurance risk.

It is the general belief of the German public at large that conditions would have been many times worse if the country were facing the present unemployment crisis without unemployment insurance or extended unemployment relief. The general interest taken by the German public at large in all measures and reforms planned or urged regarding unemployment insurance or relief is best demonstrated by the fact that the Brauns Commission of Experts on Unemployment received some 3,000 reform proposals during the first three weeks of its activities.

The reforms which the Federal bureau will finally adopt and carry through depend largely on the results of the deliberations of the Brauns Commission. The task facing the committee will probably lead to revolutionary changes in the entire system.

**Some Recent Figures**—With the cancellation by the Federal Government of some \$148,274,000 of debts which the Federal Bureau of Employment Exchanges and Unemployment Insurance owed it at the end of March, 1930, the bureau was forced to negotiate a loan with the Reichsbank in March, 1931 (the Government having refused to grant further loans), to the extent of \$19,754,000 to carry it over the first few months of the new fiscal year. The Federal bureau estimated in its 1931 budget that the total receipts from contributions would amount to \$399,840,000, with which amount it could support an average of 1,750,000 unemployed persons entitled to regular benefit from unemployment insurance.

**Great Britain**—There are widely differing opinions in Great Britain as to the value of the unemployment insurance scheme as it has been applied to the postwar problem.

In December, 1930, a royal commission was appointed to inquire into the working of the unemployment-insurance scheme, and to submit recommendations for putting it on a more satisfactory basis. Various organizations have submitted memoranda by request to this commission, and these probably form the best reflection available of the attitude of the various groups represented.

The chamber of commerce presented a memorandum dealing with certain abuses of the present system which it felt were serious. It also recommends that the scheme should be once more purely an insurance scheme; that "transitional" benefits should be abolished and that the claimants should be required to prove that they are genuinely seeking work. It also recommends a reduction in the rates of benefit, the extension of the period of disqualification for dishonesty, and the exclusion of married women and of all children up to the age of 18.

The Trade Union Council criticizes the principle of a flat rate of contribution paid without regard to the amount of wages received and contends that the cost of maintaining the reserve labor supply of the country should be a national charge and that the country should be treated as an economic unit. It considers that the waiting period should be shorter and that benefit should be paid for all days of unemployment.

The principal criticism of the system by the Liberal Party is that more of the funds available should be used for providing actual work, while the business community in general constantly asserts that the heavy financial burden on industry is excessive and is hampering trade recovery.

Associations of county councils and other local government authorities urge that the financial burden should be a national one and that local governments should not be called upon to supply the money necessary for relief which would be needed.

It should be mentioned that the abuses for which the scheme is now criticized are actually comparatively rare, and that the unemployment insurance scheme as a whole is almost universally regarded in Great Britain as necessary.

**Some Recent Figures**—On April 10, 1931, the debt of the unemployment insurance fund to the Treasury was \$369,854,000. At that time it was estimated that within another 13 weeks the present statutory limit of its bor-



rowing power, \$437,985,000, would be reached. The statutory borrowing powers of the fund have been increased by a number of acts of Parliament over a succession of years. The cost of "standard" benefit is estimated now to be approximately \$4,866,500 per week greater than the revenue of the fund, while the cost of "transitional" benefit, which is paid entirely from the exchequer, amounted in 1930 to \$107,063,000, and it is estimated that it will cost \$170,327,500 to \$194,660,000 in 1931.

On June 22 the Minister of Labor introduced in committee of the House of Commons a resolution authorizing the Treasury to increase the limit of advances to the unemployment insurance fund by \$121,662,500—from \$437,985,000 to \$559,647,500—and to extend the period for the continuance of transitional benefit by six months from October 18. The existing borrowing powers of the fund, she said, would be exhausted by July 8 or 9. On the basis of the live register of unemployed being 2,500,000 the additional borrowing powers would last until January, 1932; on a basis of 2,750,000, until next November; and on a basis of 3,000,000 until next October. The resolution was agreed to without division.

**Irish Free State**—In general the present unemployment-insurance system has the support of employers, workers, and the general public, in view of its manifest benefits and comparatively small cost. The principle of unemployment insurance has through usage become accepted without serious question. As experience accumulates, minor changes in the system are made by law. There is no opposition in the press or by any political parties to the general scheme.

The chief difficulty encountered is noncompliance in the case of small employers, but for most industrial workers the system operates smoothly.

**Italy**—There has been no general opposition either to the principle of unemployment insurance or to the admin-

istration of the system in Italy so far as could be ascertained. It is understood that the insured employees are in favor of greater benefits in case of unemployment, but only in case it does not occasion an increase in the amount of contributions.

According to the general secretary of the national social insurance fund, the only important change in the system contemplated at present by the Italian authorities, which will probably be effected through a legislative decree, is the proposal to increase the amount of benefit in relation to the size of family or number of dependents of the unemployed insured person without increasing the amount of his contribution. He emphasizes, however, that the Government intends to keep benefits down to a minimum living basis to prevent the possibility of removing the stimulus to find employment and in consequence promoting laziness and abuses.

**Poland**—The trade-unions are staunch supporters of the present system of compulsory unemployment insurance. In general, the employers are not favorably disposed thereto on account of the extra cost, 1½ per cent of the workers' wages, which they must contribute. In general, it may be said that public opinion in Poland is favorable toward the system on account of the inevitable social hardship when industrial workers lose their employment, and especially so, as the wage level is not greatly above the minimum of existence, which makes it difficult for workers when employed to set aside reserves from their regular wages to provide for hard times.

Shopkeepers and traders benefit from the system, as there would be a heavy drop in purchasing power in the industrial districts in periods of depression were the workers not assured of something like one-half their regular earnings in case of unemployment during such periods. The present economic depression would be still more intense were it not for the existence of compulsory unemployment insurance.—*Extracts, see 1, p. 224.*

## Details of Foreign Compulsory Systems Summarized

### Australia (Queensland)

**Total Pop.:** 927,000 (1929). **No. Insured:** 137,000 (1930).  
**Covers all workers,** 18 or over, whose wages are fixed under collective agreements or by arbitration decisions, incl. agricultural workers and public officials.  
**Excludes** intellectual workers.  
**Exempts** permanent workers provided by superannuation funds.  
**Contributions:** Employer, worker and Gov't. each 122c per wk.  
**Qualifications:** 26 full contributions (exceptions).  
**Disqualified** by refusal to accept work. Voluntary unemployment may disqualify for 2 months.  
**Waiting Period:** 14 days after registration.  
**Duration:** Maximum of 15 wks. per yr. (Council may extend).  
**Amount:** Varies from \$3.64 to \$8.49 per wk. Each child under 16 (up to 4 in no.) paid from 97c to \$1.22.  
**Administered** by Central Unemployment Council and local State Labor Exchanges. Council consists of Minister of Public Works (Chairman); two Gov't. officials; one representative of workers; one representative of employers.

### Austria

**Total Pop.:** 6,687,000 (1928). **No. Insured:** 1,300,000 (1930).  
**Covers all wage earners and salaried workers.**  
**Excludes** agricultural and forestry workers (except in sawmills); domestic servants; workers with several employers; workers like middlemen; apprentices not in last yr.

**Contributions:** A percentage (not over 7.5%) of sickness insurance fixed for each province. Employer pays ⅓, worker ⅓, and Gov't. ⅓ cost of administration. (Since 1925, the Federal Gov't. has advanced \$18,000,000 to meet deficits in the fund.)  
**Qualifications:** 20 wks. work and 1 to 2 years contribution.  
**Disqualified** by surrender of work without cause (temp.); unemployment after strike; dismissal for misconduct; refusal of suitable employment (temp.); refusal to undergo medical test for incapacity for work; receipt of sick-pay.  
**Waiting Period:** Eight days.  
**Duration:** 30 wks. in 12 mos. (extended in crisis).  
**Amount:** Varies with no. of dependents. May not exceed 80% of last weeks' earnings. One day's benefit extra per mo. for rent.  
**Administered** by Federal Minister of Social Affairs and District Industrial Commission. Equal nos. of employers and workers supervise public employment exchanges.

### Bulgaria

**Total Pop.:** 5,713,000 (1929). **No. Insured:** 287,000 (1930).  
**Covers wage earners** between 15 and 16 yrs. inclusive, seamen and certain agricultural workers.  
**Excludes** domestic servants and certain public servants.  
**Contributions:** Employer and worker each 72c per wk.; the Gov't. 72c per wk. plus 1% of wage credits for state employer.

**Qualifications:** 52 contributions for 2 yrs. In case of inadequate qualifications for work, the employment exchange may compel attendance at school for period of allowance paid.

**Waiting Period:** 8 days.

**Duration:** 12 wks. in a year.

**Amount:** Head of family, 11.5c per day. Non-married, 7.2c.

**Administered by** Social Insurance Council and local Employment Exchanges. (Gov't. may organize public works and reduce hours and wages in acute conditions.)

### Germany

**Total Pop.:** 63,179,000 (1925). **No. Insured:** 18,200,000 (1930).

**Covers** all whose wages are under \$1,428 per yr. and all whose salaries are under \$2,000 per yr. Includes domestics.

**Excludes** certain agricultural and forestry workers; industrial; home workers and fishermen paid at piece-rates.

**Contributions:** Total for employer and worker not more than 6½% of wage. Gov't. pays subsidy and extended benefits (State ½; locality ½). Standard Fund may borrow from Treasury.

**Qualifications:** 52 wks. work with contributions in preceding 2 yrs. on first application. Half of above on subsequent applications. Unemployment must be involuntary (not due to misconduct or a trade dispute). Earnings at odd jobs not to exceed 20% of regular benefits. No other national benefits or institutional care.

**Disqualified** for 8 wks. by failure to accept suitable work. Work in a different occupation may be refused for 9 wks. No choice for seasonal workers.

**Waiting Period:** 14 days (under 21); 9 days (over 21); 3 days (4 or more dependents).

**Duration:** Standard benefit—26 weeks.

**Amount:** Varies from 75% of lowest to 35% of highest representative wage class (based on last 6 mos. wages). Provision for dependents increases with wage class. Emergency benefits.

**Administered by** Reichsanstalt, and autonomous organization (supervised by Minister of Labor) with local, district and national officials, and a Court of Appeal.

### Great Britain

**Total Pop.:** 45,741,000 (1929). **No. Insured:** 12,094,000 (1930).

**Covers** nearly all wage earners between ages of 16 and 65, earning less than \$1,217 per yr.

**Excludes** agricultural workers; domestic servants; casual workers; home workers without contract of employment.

**Exempts** person entitled to superannuation fund and not ordinarily subject to dismissal.

**Contributions:**

Employer—For men: 8c (under 18); 14c (18-20); 16c (21-65).

Worker—For men: 7c (under 18); 12c (18-20); 14c (21-65).

Gov't.—For men: 7½c (under 18); 13c (18-20); 15c (21-65).

Employer—For women: 7c (under 18); 12c (18-20); 14c (21-65).

Worker—For women: 6c (under 18); 10c (18-20); 12c (21-65).

Gov't.—For women: 6½c (under 18); 11c (18-20); 13c (21-65).

**Qualifications:** 30 contributions in last 2 yrs. (exceptions with benefit thrown on state). Capacity and availability for work.

**Disqualified** by refusal of suitable employment or aid in securing same. Unemployment arising from trade dispute, misconduct, surrender of job without cause, imprisonment or confinement in public institution.

**Waiting Period:** 6 days.

**Duration:** No limit.

**Amount:** (weekly)

For men: (under 17), \$1.46; (17), \$2.19; (18-20), \$3.41;

(21-64), \$4.14.

Women: (under 17), \$1.22; (17), \$1.82; (18-20), \$2.92; (21-64), \$3.65.

Dependents: Adults, \$2.19; children, 49c each.

**Administered by** Ministry of Labor and local Employment Exchanges. Personnel: Insurance Officers. Courts of Referees. Umpires. Contributions paid through stamps purchased from post office.

**Origin of "Dole" in British System**—In addition to the benefits payable from the unemployment insurance fund, there was started in 1918 a system of "Out-of-Work Donations" which furnished

money to ex-service men and civilians thrown out of war-time occupations. This was but a temporary arrangement during the period of readjustment following the war and had no connection with insurance. The government paid the entire cost, amounting to over \$300,000,000. Another added national charge was the "Unconvenanted" or "Extended" benefit, introduced in 1921 to care for the large number of unemployed workers ineligible for benefits. This emergency measure has been renewed several times and is now called "The Transitional Benefit," whose purpose is to tide these workers over the present abnormal industrial depression. It provided that a person normally employed in an insurable trade might receive unemployment benefit, in spite of having insufficient contributions to his credit, if the public interest made this seem expedient to the Minister of Labor. In August, 1924, the discretionary powers of the Minister were revoked and the benefit was made payable as a "right". This Act of a Labor Government was reversed in 1925 by a Conservative Government, which restored the Minister's discretionary power. Another Labor Government in 1929 once more made this benefit a right, and this is its status today. The Act of 1930 placed the cost of these extra payments entirely on the State and now they do not come out of the regular insurance fund.

**A Summary of Costs**—During the first years the national compulsory unemployment insurance act was in operation no financial difficulties were encountered. There was a surplus in the fund up to the beginning of the war, and during the war there was practically no unemployment in the country. Afterward, even down to 1922, the fund remained solvent, having, in fact, a surplus of \$100,000,000 in 1920. Since then, however, the situation has entirely changed. As a result of the widespread unemployment in Great Britain, the fund has accumulated a debt, which now exceeds \$300,000,000. The maximum amount which could be borrowed from the Treasury was originally \$14,600,000. This has been raised several times and, in December, 1930, was placed at \$341,000,000.

Cost of Unemployment Insurance Nov. 8, 1920-Oct. 25, 1930:		
Source	Amount	Per Cent.
Balance from previous years.....	\$97,330,000	4
Contributions		
Employers and workers.....	\$1,508,615,000.....	61
National Treasury.....	622,912,000.....	25
	2,131,527,000.....	86
Loans from Treasury.....	257,924,500.....	10
Total .....	\$2,486,781,500	100

The above table shows that unemployment insurance has cost the Treasury \$880,836,500—a sum equal to about 35 per cent. of the total expenditure. In addition to this amount, the Treasury has also borne the cost of the "Out-of-Work Donations" and the "Extended Benefits."

### Irish Free State

**Total Pop.:** 2,972,000 (1926). **No. Insured:** 284,000 (1930).

**Contributions** (per wk.):

Employer: for men, 8c; women, 7c; boys, 4c; girls, 4c.

Worker: for men, 8c; women, 6c; boys, 4c; girls, 3c.

Gov't.: for men, 4c; women, 3½c; boys, 2½c; girls, 2c.

**Qualifications:** 24 contributions.

**Disqualified:** (Same as Great Britain in principle.)

**Waiting Period:** 3 days.

**Duration:** 1 wk. for each 6 wks. contributions. Max. 26 wks.

**Amount** (per wk.):

Men (over 18), \$3.64; (under 18), \$1.82.

Women (over 18), \$2.91; (under 18), \$1.46.

Also additional allowance for children.

**Administered by** Minister for Industry and Commerce and local Employment Exchanges.

### Italy

**Total Pop.:** 41,169,000 (1929). **No. Insured:** 284,000 (1930).

**Covers** all wage earners between ages of 15 and 65.

**Excludes** agricultural workers (exceptions). Seasonal workers if employed less than 6 months each year. Domestic servants. Casual employees. Public employees. Home workers. Work-

ers paid by share and profits. Workers entitled to board. Private employees earning under \$40.00 a month. Artists, theatrical and cinema employees.

**Contributions:** Employer, half the amount shown below; worker, same. Government, none.

**Fortnightly Contributions:**—3.7c on earnings of 20.9c per day, 7.3c on earnings of 20.9 to 41.8c per day; 11.0c on earnings over 41.8c per day.

**Qualifications:** 24 contributions during preceding 2 yrs. Attendance at vocational courses for persons receiving relief may be required.

**Waiting Period:** 7 days.

**Duration:** 90 days. May be increased to 120 days if 36 contributions have been paid.

**Amount:** According to contribution, 6.5c per day or 13.1c or 19.6c per day.

**Administered by** National Social Insurance Fund. May advance  $\frac{1}{2}$  of resources of unemployment fund to carry out public utility works. Also special insurance fund for each province. National fund assists when necessary.

### Poland

**Total Pop.:** 30,408,000 (1929). **No. Insured:** 1,033,000 (1930).

**Covers** all wage earners over 16 who are under contract in industry, mining, metallurgy, commerce, transport or any enterprise which, although not conducted for profit, is managed on the same principles as industrial undertakings. Has included intellectual workers since 1927.

**Excludes** agricultural and forestry workers. Certain seasonal workers. Domestic servants. Public servants. Home workers.

**Contributions:** Employer,  $\frac{1}{2}\%$  of wage. Worker,  $\frac{1}{4}\%$  of wage. Government, 1% of wage. (Half recoverable from communes.)

**Qualifications:** 20 wks. employment during preceding year in an insured trade.

**Disqualified by** refusal of suitable employment at normal wage offered by State Employment Offices.

**Waiting Period:** 10 days.

**Duration:** 13 wks. (Exceptions.)

**Amount:** (Unmarried) 30% of last wage up to \$1.12 per day.

(1 or 2 dependents) 35% of last wage up to \$1.12 per day.

(3 to 5 dependents) 40% of last wage up to \$1.12 per day.

(Over 5 dependents) 50% of last wage up to \$1.12 per day.

**Administered by** Committee under control of Minister of Labor and Social Welfare, and local public employment exchanges. Central Committee consists of a chairman appointed by Minister of Labor, 2 officials from Ministry of Labor, 1 official of Ministry of Finance, 6 representatives from workers, 4 from employers and 4 from local authorities.

### Russia

**Total Pop.:** 154,800,000 (1929). **No. Insured:** 10,000,000 (1930).

**Covers** all workers and salaried employees and their children to age 20. Soldiers in the reserve or demobilized. Young persons with technical training who belong to trade unions.

**Excludes** persons whose families have monthly wage incomes in excess of a definite figure, varying in different districts and with the number of dependents; or if they have any income other than wages.

**Contributions:** Employer, entire cost. Worker, none. Government, entire cost in case of nationalized industry.

**Qualifications:** (20 yrs. of age and over) 2 yrs. continuous employment for trade union members and 3 yrs. for others. (18-20) 16 months continuous employment. (Under 18) 3 months continuous employment. (Young persons with technical training who belong to a trade union) 6 months additional continuous employment if they work 1 year during their schooling or 1 year of continuous employment if they did not work during their schooling.

**Disqualified by** (suspended for 1 month) refusal to work without good reason or failure to register regularly at employment exchanges. Suspended permanently for repetition of above offenses.

**Waiting Period:** Not specified.

**Duration:** 9 months for each year of unemployment.

**Amount:** (varies with locality, class of worker, cost of living).

(class 1 worker) \$5.67 to \$13.39.

(class 2 worker) \$4.12 to \$9.79.

(class 3 worker) \$3.09 to \$7.73.

Additional amounts for dependents. Special benefits for trade union members, varying with length of membership.

**Administered by** the Central Social Insurance Council of the People's Labor Commissariat and local insurance funds and Placement Offices of the Commissariat.

## Voluntary and Compulsory Systems Compared

THE difference between voluntary and compulsory systems of unemployment insurance is one of degree rather than of kind, since there is a marked tendency for trade-union funds, which began as voluntary institutions, to become compulsory. Under all plans, whether compulsory or voluntary, the general intent seems to be to cover the wage-earning population subject to the risk of unemployment; but this is by no means generally accomplished, even in those countries which have compulsory plans. The proportion of the total population insured in countries having compulsory plans is about five times that found in countries having voluntary plans.

All countries having compulsory schemes require contributions from employee, employer, and State, except Russia, where the employee, and Italy, where the State, is exempt.

All countries having voluntary schemes include contributions from the employee and the State. The employer need not and does not participate, with the single exception of Denmark, where the employer must contribute to a special unemployment reserve fund in connection with Industrial Accident Insurance.

Greater flexibility in both waiting period and duration of benefit is more noticeable under voluntary than under compulsory plans. The total absence of any restrictions on duration of benefit in Great Britain is unique.

Countries with voluntary plans leave the details of administration in large measure to trade unions or similar types of association, while in countries with Compulsory Plans local administration is often effected through the medium of labor exchanges with, in general, a greater degree of coordination between central and local authorities.

## The Voluntary System in France

**Total Pop.:** 41,020,000 (1928). **No. Insured:** 165,000 (1930).

**Covers:** Practically all wage earners are eligible for membership in funds subsidized by the State.

**Contributions:** Employer, none. Worker, varies with fund.

**Government:** Varies with (1) numbers relieved, (2) extent of relief granted, (3) family responsibilities of person relieved. Amounted to 60% of benefits paid by funds in 1927.

**Qualifications:** Varies with fund. In general: (1) contributions for 6 months, (2) involuntary unemployment, (3) registration at Employment Exchange, (4) acceptance of suitable work.

**Waiting Period:** Not specified.

**Duration:** Subsidy granted for 60 days in a year.

**Amount:** Maximum of eight francs (31 cents) per day for each unemployed member of a fund.

**Additional:** (1) Provision for dependents, (2) payment from a special fund of other Social Insurance contributions for a maximum duration of 4 months for each 12-month period.

**Administered by** Central Unemployment Funds Commission (funds represented), and local unemployment funds.—*Extracts, see 2, p. 224.*



# Should America Adopt a System of

◀ PRO ▶

by John B. Andrews  
Sect'y, Amer. Assn. for Labor Leg.

**I**N each depression, while the emergency is pressing, some forward-looking citizens in each community cooperate in formulating constructive programs for future organization to help stabilize employment and to mitigate the evil effects of unemployment. And the unanimity of opinion as to what ought to be done is always striking. Sometimes these advance-planning people have been impatiently thrust aside with the declaration that the present is no time to think of constructive programs; that we must concentrate on the raising of money to keep men from starving and freezing now. Later, after many thousands of families have for the first time eaten the bread of charity, and when finally business resumes its push ahead and eagerly seeks renewed profits in the stiff race of commercial competition, there is no more unpopular word inside or outside the dictionary than "unemployment." When the supposed time comes for the calm consideration of constructive measures, that keen public interest in the problem has vanished.

It is not only in legislation that this strange loss of memory is noticeable after an emergency. It is found especially among those who are in the positions of immediate responsibility as managers of private industry. In the midst of public interest occasioned by the depression of 1921, several employers instituted out-of-work benefits at their own expense, whereupon the director of a great federation of employers' associations announced that legislation for unemployment insurance was not necessary in this country because American employers voluntarily were setting up unemployment reserve funds.

Half-a-dozen years later the Industrial Relations Counselors, Inc., made a country-wide survey and found fewer than a dozen such voluntary funds in actual operation. "It would seem," now concludes this conservative and effective research body, "that a wide coverage of unemployment insurance, even in so far as it is an advantage to the individual business, will come only through legislation. Representatives of the company-plan managements consulted in this investigation have expressed an almost unanimous view that while properly planned and administered schemes of unemployed insurance would be an aid to industry, their adoption would proceed slowly unless stimulated by legislation."

Confronted by this situation, after these additional years of reliance upon the voluntary co-operation of industries in tackling the problem of unemployment, are we not now justified in expecting on the part of employers a more sympathetic attitude toward public stimulation and co-operation? This is a time for humility on the part of those who have continued to preach that business leaders, if they are let alone, will solve our social problems.

What practical method will induce continuous efforts to

stabilize employment and make unnecessary the American dole system?

First, may we not agree that when business revives all unemployment will not be at an end? From the standpoint of stabilization and more scientific care of those thrust into involuntary unemployment we shall have a continuing problem of large proportions. The industrialization of American society and the rapid mechanization of industry have exposed an increasing proportion of the people to the contingencies of a wage earner's life. The rise of new industries and the decline of old, the speeding up of production and the changing habits of consumption, have each added to these risks. It cannot be emphasized too much that preventable unemployment, due both to seasonal and technological causes, threatens to increase rather than decrease, unless some new device is adopted to stimulate managers of industry continually to think about employment stabilization.

Turn for a moment to American experience with another problem of inability to work—that caused by industrial accidents. Until twenty years ago it was only the great catastrophes that called general attention to the accident problem, just as unemployment still gives no general concern except in time of business crises. We were unable to get accident statistics worthy of the name, just as we are now thwarted at every turn in our efforts to get statistics of unemployment. Comparatively few employers had considered accident prevention worth their serious consideration, just as now fewer than one-half of one per cent of the manufacturing concerns have made any serious effort to stabilize employment. Only a few scattering employers twenty years ago had instituted their own accident relief funds, just as now scarcely a baker's dozen of companies have voluntarily set up unemployment reserve funds.

Then came compulsory state legislation, requiring employers to provide in advance for the payment of a proportion of wages to their employees when unable to work owing to occupational accidents. Immediately, accident statistics were available, because someone had a financial interest in the recording of this information. Moreover, through a percentage of each employer's payroll paid regularly into a fund, there was built up a huge reserve for accident compensation. Under this compulsory legislation there is now being paid out quietly and in orderly fashion on account of inability to work because of occupational injuries, more than \$150,000,000 a year. This is more than is expended for all charity relief by all the public and private welfare agencies of this country combined.

But one of the most beneficial effects of our accident compensation laws is the incentive given to employers to prevent accidents—a continuous economic pressure which arouses and sustains a new interest in making the work places safe.

Today many employers will tell you: "We fought against the adoption of accident compensation, but in prac-

*Continued on page 208*



# Compulsory Unemployment Insurance?

► CON ►

by James A. Emery  
Gen. Counsel, Nat'l Assn. of Mfgs.

**C**OMPULSORY Public Unemployment Insurance presents a variety of fundamental questions of the most serious practical importance. Similar measures offered in several States, it is suggested, shall be ultimately bound to a single Federal proposal, already offered by Senator Wagner, of New York, appropriating \$100,000,000 for Federal aid to the States in the execution of a national system of public unemployment insurance.

Any project to relieve private distress from the public Treasury finds a ready reception. Any discussion of the ultimate effect even upon the beneficiary is impatiently received. This is especially true in the field of social legislation. It is particularly evident in approach to the problem of permanent relief for unemployment. There is accumulating evidence that many ardent and well-intentioned social suggestions are thought out in terms of a mere handful of our largest corporate business organizations.

The very term "corporation" is continually employed in popular appeal for a generous social program, as though the word was a synonym for accumulated wealth and an inexhaustible reservoir of taxable income.

It is therefore worth while to correct this economic caricature by a more accurate picture of the business structure of the United States, obtainable from the income tax returns for the last available year. 495,892 corporations make an income tax return. Of these 54%, show some net income. 35¼%, have no net income but a deficit, while 10½%, are inactive or non-profit corporations. Of those showing some net return, 88%, make less than \$25,000 a year, and of these 66%, have a net income of less than \$5,000, while a little over 1,200 corporations make an income of over \$1,000,000.

When these are referred to as employers, we must observe that the great mass of small corporations are individually small employers. To these are to be added more than 250,000 partnerships doing an aggregate business of approximately \$2,000,000,000 a year. The limited capital of these comparatively small operations makes exceedingly difficult the carriage of any new burdens suddenly inflicted upon them.

It is to be noted that these so-called corporate employers are not, even in the largest forms of such business organization, a handful of wealthy individuals. The diffusion of corporate ownership amongst countless millions of American investors is a characteristic of the times. These millions of shareholders and bondholders are the great middle class of Americans, including wage earners whose savings and insurance investments become in their turn the means through which this mass of job making activities is expanded and carried forward. Any contemplation of public

expenditure, especially if it must be capitalized over a future period to assume a permanent liability cannot afford to ignore the effect of such action upon those permanent sources of employment which in the aggregate must be the means through which old jobs are maintained and new sources of employment developed and expanded.

The issue which must be determined shortly by the American people, is how much do we want Government to do for us that we formerly did for ourselves? If we want Government to do much for us, we must constantly take more from what we would otherwise save or spend ourselves, in order that Government may do it. We must likewise determine what the effect of such policy will be upon our fortunes, our character, our institutions.

As we approach this issue we have behind us a hitherto unquestioned traditional American political concept to which the students of our institutions and we ourselves have hitherto attributed our spiritual and material progress. We rested our spiritual foundations upon an invincible faith in the moral worth and dignity of the human individual. We staked our economic future on the conviction that the individual was the dynamo of social progress.

The vast extent of our developed material resources must not blind us to the fact that our greatest possessions are not material; they are still our intellectual and moral possessions. They are the characteristic spirit of initiative, self-reliance and independence which have not merely distinguished the American in a supreme degree from all other people but have been the inspiring course of our material and spiritual gains.

Not only theoretically but practically the history of mankind demonstrates in recurring periods, from Rome to Britain and Germany, that you cannot teach a people to lean upon Government as a substitute for self-denial and self-reliance in meeting the hazards of life without fatally enervating those essential characteristics that have been our chief possession.

The fathers of our State, profound students of men and governments, were keenly alive to the influence of prevailing foreign sentiment upon the novel political institutions which they had cradled.

But when we are asked to incorporate into our political philosophy an alien suggestion for dealing through Government with a major hazard of human life, our first test must still be: Is it in conformity with our ideals, principles and traditions? From the experience of other States what is its practical operation? Does it enervate or invigorate its beneficiaries? Is it a cure or a narcotic?

We recognize major hazards of human life. Against these each individual makes resistance and provision, not only for himself but for those economically dependent upon him. Society as a whole discharges its common

*Continued on page 209*

# Andrews Cont'd

tice the system has been found beneficial to employers as well as to the workers and to the community as a whole. We wouldn't think of being without an accident compensation law in our state." All but four states now have that legislation.

No one claims any absolute parallel between the problems of accident and unemployment, but successful experience with workmen's accident compensation in America is certainly suggestive of the method by which systematic relief may be combined with effective incentive to prevention in attacking a persistent social evil such as unemployment.

Out of our successful experience with accident compensation in this country and based upon the work of representative Americans with special knowledge and practical experience in unemployment insurance administration, and upon the actual operation of successful voluntary experiments in the United States, there has now been developed "An American Plan for Unemployment Reserve Funds."

The plan now submitted in the form of a tentative draft of an act proposes, in brief, that each employer be required to pay a fixed percentage of his payroll into a mutual unemployment reserve fund, out of which involuntarily unemployed workers shall receive a limited proportion of their wage for a limited period of time. This reserve fund for purposes of administration is to be divided into industry funds, each of which will be managed separately by its own representative Employment Stabilization Board under the supervision of the State Department of Labor. Each industry fund will have its own free employment offices which are to be co-ordinated with the public employment service. Stabilization of employment is encouraged by provision for the payment of dividends from the mutual funds to employers on the basis of their employment experience. Employers, however, who furnish satisfactory proof of their ability to pay benefits equal to those which the reserve fund for their industry pays are permitted to make payments directly to their employees and relieved from the duty of contributing to the fund. Industry is thus encouraged to administer the plan with a minimum of governmental action. Although workers are not required to contribute to the reserve funds, they may voluntarily elect to do so, in which case additional benefits are to be paid. Benefits will be paid only to workers for whom the public or industry free employment offices have, upon application, been unable to provide suitable employment.

Such a plan enacted into law will provide a means whereby those involuntarily unemployed may be assured at least a modest measure of self-respecting support. A universal system of unemployment reserve funds will also serve as a substantial reserve of purchasing power to be placed in the hands of consumers when most needed to hasten business recovery. Without this legislation, we cannot make the adoption of unemployment reserve funds universal; the great majority of employers will not follow the example of those progressive industrial managers who voluntarily make such provision. With such legislation we shall be able to protect the conscientious employer from the undercutting of his less scrupulous competitors. This

legislation is also necessary in order to secure the adoption of the plan with reasonable promptness; it should not be necessary to wait another dozen years for another dozen employers to adopt intelligent methods of stabilization which are now so universally commended. The proposed legislation will, moreover, place the State in a position to collect and distribute throughout all industry the necessary information to help in combating unemployment. And finally, a universal state-wide system of unemployment reserve funds will furnish a new incentive to a continuous interest in unemployment prevention.

In protecting the victims of accident in industry, the American public came to understand that a portion of their financial loss in wages should be paid for as a part of the cost of production. The convenient method devised for this purpose was to require all employers to insure in advance against accidents. This compensation cost has been added to the other costs of production in order that it may be spread thin among the consumers. Accident compensation is established public policy. Now, as a matter of practical expediency as well as simple justice, why should we not frankly and publicly recognize that to the victims of involuntary unemployment we owe a similar measure of consideration?—*Extracts, see 13, p. 224.*

by Edward A. Filene

I HAVE always held that the care and provision for industrial workers in sickness, in old age, and in times of idleness should be handled by private industry rather than by the state. I have believed in policies and plans worked out jointly by employers and employees.

Also, I have opposed state control of social welfare because of the idea of compulsion. The thought of the employer and the worker being forced to pay contributions to the state for "funds" which they could themselves create and effectively administer is contrary to the free spirit of the American people.

Nevertheless, when we face the tragedy of a national unemployment situation such as we are now passing through, we must frankly ask ourselves whether the way out is still to be found through voluntary measures. Because of the insufficiency of relief in the present situation, and its inadequacy for any permanent solution of the problem of unemployment, I have come to believe that state insurance is inevitable.

This could have been avoided—or could, perhaps, now be avoided—if business would voluntarily and immediately provide insurance. What has private business done so far in this direction? An analysis shows that less than one per cent of the industrial wage earners are covered in private industry by plans of insurance against idleness, whether the plans were created by employers only, by employers and workers jointly, or by employers and unions.

Industry cannot be persuaded to do voluntarily what it inevitably will be compelled to do—set aside unemploy-  
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### Emery Cont'd

obligation to those who fail or are incapable of provision to care for themselves. But, primarily, it is at once a test and a determination of individual character that each shall, in the first instance, battle these hazards for himself. For out of that contest we breed men.

The pioneering of the West is a tale of hardship and privation. Out of it came a peculiarly hardy, self-reliant and independent group of people and individual leaders, whose influence upon the fortunes of this golden commonwealth is almost unparalleled in the history of the American States. This development did not proceed with any lack of compassion for the socially unfortunate. But it impels us to resist the intervention of the State at any point at which a policy leans toward teaching the people to look to the Government for support rather than to regard themselves as the means through which Government is supported.

With the change wrought by the application of power and machinery to our social life, we found a causal relation between work accidents and industrial operation, which led us to the whole-hearted acceptance of workmen's compensation as a substitute for employer's liability. Organized employers have been among the first to recognize a social obligation in which there was a causal connection. Their criticism of the compulsory unemployment insurance proposal is founded not upon prejudice but upon the perceived absence of that connection, and recognition of the enervating influence of the philosophy which underlies it.

Early in 1909, while the discussion of a proposed plan of workmen's compensation was yet in its infancy, the National Association of Manufacturers urged the justice and necessity of such a system. Dr. John Commons, Professor of Economics in the University of Wisconsin, and perhaps the first to urge compulsory unemployment insurance, as a member of the Federal Commission on Industrial Relations, made a notable report in 1916, in which, referring to efforts to control accidents by legislation, he said:

"At the same time three great private associations have sprung up which are doing as much or more for safety than all the State and Federal Governments combined. The Conference of National Allied Safety organizations, composed of representatives from the National Association of Manufacturers, the National Founders' Association, the National Metal Trades Association, and the National Electric Light Association, has begun the standardization of safety devices for millions of employees, regardless of any standards which State or Government officials may set up.

In this great field of social reform, employers led the way, not only in the study of foreign experience but in its adaptation to American conditions through legislation, and in the practical development of safety appliances, safety methods and safety habits. To this they have voluntarily added in this day over a great industrial area, systems of hospitalization within their respective factories which are the admiration of Europe.

From this recognition by society and employers of an obligation to become limited insurers against the economic consequence of work accidents to which they were causally related, extremists have sought to strain the conclusion that employers should likewise be made legislatively responsible for unemployment to which they are not so related.

Let us examine one of the specific proposals for compulsory public unemployment insurance in a State: a syndicated proposal originated by the American Association for Labor Legislation, the recognized exponents of a complete program of social insurance in which the unemployment feature is but a single step. Modified to meet the departmental system of each State, it is, with slight exceptions, substantially identical with the imported suggestion. The model bill proposes to obtain its insurance fund by the exclusive taxation of employers.

Let us frankly face the argument presented. Is the theory upon which the measure rests sound in the social obligation which it asserts? Is it a fact that foreign experience supports the assertions made and recommends the experiment? Is it true that European States accepting unemployment insurance have found it lessens unemployment? Finally, we must ask, what does it cost, not merely in money but in its effect upon economic life and individual character?

It is just to attribute an identical or similar responsibility to employers for unemployment as for work accidents? If the parallel lacks force the argument fails. Work accidents occur chiefly upon the premises and within the plants of the employer among his own workmen, subject to his exclusive control and supervision.

But is it true that he who employs controls the forces which affect his capacity for employment? Incompetent management may be responsible for the failure of a particular enterprise, but, broadly speaking, neither individual or corporate employers can control the circumstances which make for the rise and fall of that demand for commodities or services which reacts upon the expansion and contraction of all forms of employment. The employer needs no penalty to incite him. Intelligent self-interest compels him to recognize, whether an individual or a corporate manager, that unemployment is a continuous menace to his own enterprise, as it is to its other victims.

I emphatically assert that the effort to arbitrarily select one group in the population of a State and hold it peculiarly responsible for losses inflicted by worldwide causes which confuse and baffle the shrewdest economists, is merely an arbitrary and indefensible confiscation of property.

Every prudent business provides a reserve for lean years, but I deny that such resources are customarily applied merely for the benefit of shareholders to which the reserve belongs. On the contrary, these months of depression have witnessed their continual use to sustain all the parts of a going enterprise, often at a loss to maintain wages. Nay, more, the record of curtailed and abandoned dividends is invincible evidence that in thousands of instances the shareholder has been going without pay to afford an employment force full pay.

Finally, let us ask the proponent of this argument, who thinks the parallel complete between a compulsory employment fund and a business reserve, does he hold that any State in the Union can and will establish by taxation a reserve from which investors will be guaranteed a minimum return during periods of business depression?

Does the loss of his job fall less upon the farm laborer than upon the factory worker? Yet this philanthropic proposal of social amelioration deliberately and arbitrarily denies to the farm laborer the benefits extended to every other worker.

*Continued on page 211*



# **Filene Cont'd**

ment reserves in times of prosperity for times of adversity. It is true that in a few out-standing corporations the most important of which is the General Electric Company, unemployment insurance has been permanently adopted, or there has been a guarantee to employees of so many weeks of work per year, but the vast majority of employers have shied away from such policies on account of competitive conditions.

I am in favor of state insurance that permits an employer to set up his own insurance plan in his own company with the benefits and reserves equal to the provisions required under the state law. Such legislation would be advantageous to all concerned for several reasons.

First, it would place all industry on the same basis. The apparent weakness of private insurance at present is that at best only a few outstanding corporations or even trade groups would adopt such a policy. Suppose 50 or 100 of the largest industrial corporations in America were to establish unemployment insurance. A fine step forward, you may say; but what about the thousands of concerns which make no such provision? They continue to carry on without provision for full-time employment, and without setting aside the one or two or whatever per cent of the payroll is necessary for payment to unemployment funds. Further, if the schemes adopted were contributory, how would the wage earners in the leading corporations feel about it? Many of them would unquestionably believe they had suffered a wage reduction, that they had been placed at a disadvantage in competition with workers in other concerns. By reason of state insurance, all corporations and wage earners start and finish equally.

The adoption of such insurance would result, moreover, in obvious betterment of technique or organization, of coordination between production and distribution. Successful employers, who manage by fact-finding research instead of traditional methods or opinions, would adopt their own private insurance plans, subject to meeting the state requirements. The establishment of such plans would give an additional impetus to studying and finding means to give full-time employment by staggered production, by seeking new marketing outlets, by eliminating seasonal peaks and valleys.

Again, the vast waste in a large proportion of American business would be analyzed and studied as never before. The small or weak concern would be forced to take up the slack, to study the vital factors. The margin of the one or two per cent necessary for such insurance and the better methods of their self-insured competitors might force such concerns into liquidation unless they also were able to eliminate waste and inefficiency. There would be a spur to increased efficiency in all branches of the small or weak concern's business.

It is fair to predict that if state insurance against unemployment were adopted the efficient small concern would turn toward mass production in defense against non-scientific competitors. It has been estimated that only 25 per cent of the nation's business is of the waste-saving, mass-production type. The remainder, except luxury goods, is becoming less and less profitable. The forcing of additional business into scientific, waste-saving pro-

duction would result in cheaper distribution and ultimate saving to the consumer. In the final analysis, the continuing vigor of people to buy and consume is the basis of stable prosperity.

Naturally, the adoption of unemployment insurance would result in a new impetus to study the ebb and flow of all business, domestic and international. Attention would be called, as never before, to peaks and valleys, and the effort of industrial leadership would be effectively directed to avoid chronic and temporary "depressions." By means of closer coordination between production and distribution, factory operation would be timed to more balanced schedules; sales pressure would be more sanely related to the consumer's buying power; quotas and budgets would be based on reasonable expectancy and not necessarily on continuing new peaks. A new timing and rhythm would sweep clear from the source of raw material to the final and ultimate consumer.

The pressure along those lines would naturally result in a more even trend of man power. As production and distribution became more balanced steady employment would take place. Effort would be made to keep insurance funds solvent, and to keep men at work as long and as steadily as possible. The danger of the recurrence of the calamity and disaster of 1929-30 unemployment would be minimized.

Even if business recessions were nevertheless to occur they would be much less serious because a source of buying and consuming power would be maintained as the insurance would provide the means of relief to the temporarily idle. The strain on private and public charity would be lessened and the appeal to provide work—often even unnecessary work—would be less urgent. The retention of buying and consuming power would, in turn, keep certain industries in operation, principally those concerned with the necessities of life—industries that today are and for some time past have been curtailed and reduced. The buying and consuming power, thus continued, would help pay for the cost of the insurance contributed by management. The economic circle from producer to consumer would thus be maintained without a serious break, and at far less cost than the present system of pure relief.

I favor the establishment of funds in private industry for unemployment, subject to state compulsion and regulation, therefore, because it would put all business on the same basis; and because without such state regulation it is impossible to get the necessary general setting-up of unemployment funds by all employers; because, also, it would result in better management, organization and coordination, increase mass production, minimize the danger of depression, balance man-power demand, and aid in the buying and consuming ability of the public. Against the weaknesses and limitations of state control of social welfare I see in state unemployment insurance with adequate provision in the law for private insurance, the best way out of our present unemployment distress and the best really practical method of preventing unemployment and business crises in the future.—*Extracts, see 7, p. 224.*



### Emery Cont'd

But what of the foreign experience which we are assured demonstrates the invaluable contribution of unemployment insurance? In each an unemployment reserve fund is created and maintained by the joint contributions of employer and employee. In each we shall discover that the solvency of that fund has been maintained only by continuous loans from the Government, for which it is admitted there is no hope for repayment.

Let us summarize J. H. Thomas, Minister for Employment in the Labor Government, and inquire as to the cost of unemployment insurance and its effect as he officially sees it. He will tell you that its estimated direct cost is now \$3,250,000,000, but let him offer his own testimony:

"Yet with all that colossal expenditure, we are entrusted with the formidable task of still dealing with nearly a million and a quarter unemployed. Tested by every experience to date, for every 5 million dollars of public money spent, work is not provided for more than 2,000 people directly and 2,000 indirectly. That is the answer to people who assume that pouring out money is a solution for the unemployment problem."

Yet the fundamental features of the English scheme are actually and potentially within this alien egg offered for your legislative incubation. Stripped of its philanthropic drapery, the proposal remains a shameless dole, masquerading as insurance.—*Extracts, see 5, page 224.*

### by Rome C. Stevenson

THE present period has all the appearance of being one of the critically decisive turning points in American history. Two roads lie ahead. One road, the old road, carries straight on in line with the fundamental traditions of American life that have been the dominant influence in this nation's great destiny. Another road, a new road, seems to lead off to the ultimate transformation of our national character. It leads away from the sturdy, self-reliant, independent American individualism that has ever been this nation's proud birthright. It leads toward typical European personal dependency that has long stunted the social vigor of the masses in nation after nation of the old world.

If the present period of business readjustment is to leave behind it the precedent that any economic reaction or disaster or situation, which creates a large enough number of sufferers to constitute a political factor, shall be met by recognizing them as favored groups whose troubles must be taken over by the federal Treasury, then the economic damage already done by 1930 and '31 is as nothing compared with the spiritual damage they are yet to do to our national character.

Not alone in the individual's relation to the government do we see in these times this spirit of recession from the proud standards of personal responsibility of the nation's past. Is not a similar spirit calling for compulsory changes in the individual's relationship with his employment that shall unload him of a certain degree of economic responsibility? I refer, for instance, to unemployment insurance.

There are, I grant, two sides to this question. It is true that the social responsibility rests on industry to make every effort to provide steady, properly paid employment for labor. It is true also that industry has brought a certain amount of accountability upon itself for existing unemployment by its lack of foresight and plan. It unequivocally owes it to our workers to help them combat the problem of unemployment. But I doubt that the best way for industry to contribute to the solution of the problem of unemployment is along the line of insurance. I believe there is a far sounder way to attain the ends sought.

Unemployment insurance seems to me a misnomer, a contradiction in terms. Unemployment is an utterly uncertain event involving absolutely indefinite risks, without a body of reliable experience to indicate a reasonable plan of protection. Insurance, on the other hand, whether life, fire, sickness or accident, is a financial arrangement based on well understood and collated experience and probabilities, with clearly defined risks. They are susceptible of formulation into a rational plan of protection by scientific actuarial processes which indicate the necessary financial contributions required to create the reserves called for by the desired protection.

Devoid of this essential actuarial quality as it is so-called "unemployment insurance" is in fact merely a name under which an industrial dole fund is to be set up by industry, aimed to relieve the individual in part from a personal risk that can be properly and fully met only by measures of personal financial prudence and responsibility.

Just how can such a dole fund be set up by industry? Out of what resources can it be allocated? It must come from earnings. In other words it is an enforced levy upon the income of invested capital making labor a ward, a retainer, of capital. It would seek in a measure, to transfer to capital a share of the individual worker's personal economic responsibilities and risks against which he is normally able and obligated to make provision out of his own earnings for himself under our traditional American conception of life as contrasted with European feudal dependency.

If we are to strain the point and say that allocations for unemployment insurance can be carried further back and be set up as an expense, as a cost of doing business, which I do not grant there is any justification for except as a fiction of accounting, would it not be sounder in fact to increase wages by the amount involved, and then seek to inculcate the doctrine of thrift and provision against unemployment through saving these added amounts as a matter of individual personal responsibility? This would leave labor free. It would avoid industrial paternalism. If it resulted in happier, more stable, more efficient workers, it would thereby justify itself as a measure of sound industrial accounting and economics.

Nor would this fully discharge industry's responsibility in the problem of unemployment. In fact, I believe that industry's real contribution to this problem can and should be along an entirely different line. Its major defenses against the hazard of unemployment should be built of very different materials. Its plan should be one of prevention of general unemployment rather than an attempt to patch up with doles a situation created largely by lack of industrial foresight.—*Extracts, see 9, p. 224.*

by John Dewey

ON behalf of the People's Lobby and voicing, I am confident, the wishes of progressively minded Americans generally, I respectfully ask that the President call Congress in special session at once to appropriate an adequate sum for Federal subvention of State unemployment insurance systems.

The major part of those unemployed for a long time are in about half a dozen States. The Governors of these States at least, can call their State Legislatures into sessions at once to devise methods of unemployment insurance appropriate to their States, so that this provision for the public welfare, essential and inevitable in a nation which has achieved the highly mechanized mass production we have, may be effective next Fall. Only such unemployment insurance will prevent appalling want and suffering next Winter, and in future years.

Such act is peculiarly imperative because the Smoot-Hawley tariff bill will tend to limit exports of American merchandise. Responsible government officials have warned wheat growers to limit their production to the domestic demand, which seldom exceeds 500,000,000 bushels for use off the farms, though the present acreage planted to wheat could produce at least 800,000,000 bushels for sale.

It is obvious that with a national income (in 1928) estimated by the National Bureau of Economic Research at \$89,419,000,000, we can consume in this country at least twice the value of merchandise exported in recent years, in addition to present consumption. The total value of such merchandise exported, exclusive of wheat, is only about 5 per cent of the national income.

At present between 2,400,000 and 3,500,000 persons, many of them heads of families, are out of the consuming class entirely, or except for the barest necessities for existence—because so long unemployed.

On the other hand, the Commissioner of Internal Revenue reports that in 1928 the 15,780 persons who received net incomes of over \$100,000 received an aggregate income of \$4,903,359,562, or about one-eighteenth of the national income of the 24,000,000 families in the United States. Over three-quarters of their income was from property—that is, unearned. They received a fourth of all dividends paid on common and preferred stocks by all domestic corporations. After paying Federal incomes and surtaxes they had left, on the average, \$266,344.

The Commissioner of Internal Revenue also reports that the 375,356 persons who for 1928 reported net incomes of over \$10,000 had an aggregate income of \$14,214,359,822, or about one-sixth of the income of 24,000,000 families. About 65.9 per cent—nearly two-thirds of their income—was derived from property, and they received almost three-fifths of all dividends paid on the stock of domestic corporations.

No nation can survive mass production, unless there is such a distribution of the national income as to make possible commensurate mass consumption out of current earnings or income. Private concern has not brought about such a condition in this country. The concentration of income has brought about a nation-wide catastrophe. Reduction of taxes on the wealthy and retaining them on

consumption, has been followed by an inevitable reduction in consumption, and a wholly unnecessary scourge of unemployment.

A nation-wide system of contributory unemployment insurance with the Federal government paying \$1,000,000,000 and States, employers and employees jointly, the same amount—in the aggregate about 2.2 per cent of the national income—would largely relieve the most serious unemployment; needless to emphasize, it would also improve business conditions to a very marked extent. The proposed Federal government's contribution to conquer this real menace at home is only a small amount more than it spends to prepare to fight a non-existent enemy abroad.—*Extracts, see 3, p. 224.*

by Roger W. Babson

IT is almost impossible to interest Congress in retarding a period of inflation, as so many people temporarily profit therefrom. For this reason I am inclined to favor compulsory unemployment insurance. Certainly wage workers who are thrown out of work by the mistake of employers should not be allowed to suffer. Furthermore, only when employers are faced with the possibility of paying large funds out for employment insurance may they take an active interest in flattening out the business cycle. For years certain states endeavored to legislate against accidents, but with little avail. When, however, these states enacted compulsory compensation laws, every manufacturer voluntarily adopted the most modern means of preventing industrial accidents.

A few years ago it was impractical to consider unemployment insurance, because insufficient statistics were available to enable actuary tables to be prepared. . . . Employment insurance could today be figured out almost as accurately as life insurance. Let us hope that 1931 will bring about . . . some definite legislation in the form of compulsory unemployment insurance.—*Extracts, see 13, p. 224.*

## Editorial, Collier's Weekly

WE are cursed with short memories so far as business changes are concerned. In good times we like to believe that times are always good.

Of course we know that this fairy story with which we reassure ourselves isn't true. We know that good times and bad times follow in ever-recurring cycles.

If we don't plan sensibly to mitigate the force of recurring unemployment, our representatives in Washington and in the state legislatures will spend extravagantly when the emergency is upon us.

What we need and have long needed in this country is a sane American system of unemployment insurance.

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## Massachusetts Special Commission on Unemployment--1922

by Dr. Henry E. Jackson

LIKE other forms of so-called social insurance, compulsory indemnification during unemployment is not consistent with American principles. The commission is unanimous in its opinion that the adoption of any form of State insurance against unemployment would neither be to the interest of Massachusetts industries nor to the permanent advantage of Massachusetts wage earners.

There is evidence that where compulsory State health insurance is in operation the health of wage earners has not been improved, but malingering has increased, and, as a result, the cost has become much greater. Just as health insurance has apparently encouraged malingering, unemployment insurance bids fair to encourage shiftlessness and improvidence.

When one contemplates the growth of our commonwealth and the spirit of its citizens, which has contributed so largely to that successful development, we are reminded that those qualities of character which have counted most in the achievement are those of strength, sturdiness, and thrift. If these are the qualities which have made for the accomplishments of our commonwealth in the past, they are the qualities we should seek not to discourage but to cultivate and perpetuate in the future.

Compulsory unemployment insurance is class legislation. It not alone creates classes, when it attempts to designate what employees shall be the beneficiaries under such a system, but in a measure it taxes the ambitious and industrious worker and rewards the sluggard.

In the opinion of the commission, State unemployment insurance would not result in any decrease in unemployment. There is reason to believe, however, that it would result in increasing unemployment.

The commission does not advocate unemployment insurance as a means of relieving or solving the unemployment question. Considering any such system aside from the cost, which seems prohibitory, there are other aspects of this form of proposed relief which do not appeal to the commission.

In considering the various recommendations for relieving unemployment, the commission has already stated that it was most impressed with those which sought to prevent recurring periods of unemployment, rather than with those which were apparently designed only to supply means of relief.

It is the measures that make for stabilization in business which are the constructive ones. They go to the root of the unemployment problem and provide the best means possible for its prevention. Temporary means of relief do well in emergencies, and these should be adequate, but it is to the basic remedies we should look for a permanent solution. It is such remedies which have commended themselves most to the commission, and they should as a matter of fact, appeal to all because they are economically and fundamentally sound.—*Extracts, see 8, p. 224.*

THE four hazards, which modern industry has caused to be conspicuous hazards, are Death, Disability, Dependence in Old Age, and Unemployment, and the greatest of these is Unemployment.

Protection against three of these, Death, Disability and Dependence in old age, can be calculated and secured on an insurance basis. Intelligent employers now realize that a scientific Trustee Annuity Plan covering these three hazards, as an honorable means of eliminating inefficient workmen past 65 years old, has a marked effect on decreased unemployment.

But, as to protection against the fourth hazard, unemployment for workmen under 65 years old, this protection cannot be secured by the insurance method, because the facts involved are not subject to calculation. How, for example, is it humanly possible for any Insurance Company to calculate the financial consequences involved in the probability that the American Congress may or may not pass the kind of a Tariff Bill which will cause employment to increase or decrease?

But what cannot be secured by the insurance method can be secured by a Wage Reserve Plan. The only way to establish a sound actuarial relationship between payments and benefits is by the wage reserve method covering stipulated benefits for specified periods of time.

Such a Wage Reserve Plan is not only a relief measure on a self-respecting basis, but is also a start towards the abolition of unemployment.

The Wage Reserve Plan is designed for all employees actively at work in industries, who are subject to the hazard of unemployment. But there is a considerable number of employees now actively at work who ought not to be. I refer to employees who have passed the retirement age, normally age 65.

1,015,368 employees now employed in the United States are 65 years old and over. The report made to the International Labor Bureau at Geneva in November 1930, stated that the number of unemployed in the United States was 4,000,000. If, therefore, scientific Annuity Plans were in operation by which employees 65 years and over could be honorably eliminated, the unemployment problem would be abolished to the extent of 25 per cent. It is to be noted the present unemployment cycle is acute. The chronic amount of unemployment in periods of normal business activity would probably almost entirely be eliminated by the retirement of worn-out workers. A scientific Pension Plan is exhibited in the new Trustee type of plan adopted by the Westinghouse Electric and Manufacturing Company, which in fact is using its Plan to relieve unemployment as well as for its original purpose to protect worn-out workers.

These periods of unemployment are not new but old. They have occurred regularly during the past hundred years. This constitutes a particular challenge to leaders of modern industry, because while a degree of unemployment from various causes has always existed, these recurring periods of unemployment on a large scale are by-products of modern industry.

The key to the cause lies in the words "too much." It is the excess expansion which constitutes the danger, be-

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We have the habit, in the United States, of providing with insurance against measurable emergencies.

We insure ourselves against death so that our dependents may not want. We insure motor cars against theft and ourselves against damage suits which may result from accidents. We do all this as a matter of course. Fire insurance on a house is as common as paint and quite as necessary.

One of our most fruitful kinds of insurance is that known as workmen's compensation for industrial accidents. Last year 17,000,000 workers were protected by insurance against shop injury and actually \$150,000,000 was paid to those who were hurt.

The bills for unemployment insurance put before state legislators are based on the plan worked out by the American Association for Labor Legislation. This provides for insurance funds accumulated by separate industries. The charge fixed would be one and a half per cent of the total wages paid. Employees may also contribute, but the state pays nothing except the cost of supervision. The business argument for such planning was well stated by Owen D. Young, of the General Electric Company, in these words:

"Recovery should be aided by an unemployment insurance plan because in effect the plan means that reserves accumulated during good times will be available for expenditure by workers during bad times."

Unemployment insurance would tend to keep business on a steady keel by distributing expenditures through good years and bad.

If unemployment insurance had been well developed in this country, there would have been no effective demand upon the last Congress for the billion-dollar loan to veterans. Each industry under public supervision would have accumulated reserves to take care of its own unemployed.

We shall do well to seize the present opportunity to prepare a more stable future. Business is recovering and before we realize it prosperity will be upon us. The temptation to believe that all years are fat and that lean times never come will be very great.

The time to insure against fire is before the house burns. The time to accumulate reserves against unemployment is when business is thriving.

Today unemployment insurance is the next necessary step in making business stable. The Federal Reserve System was the device used to end money and credit panics. Workmen's compensation was the weapon suited to an attack on the rising tide of industrial accidents.

Insurance again is the way to stimulate industrial leaders to steer steady courses and provide for the decent support of the victims of unavoidable economic storms.

It is better business and better national policy to insure against unemployment than to hand out doles to the unemployed. Soup kitchens and street-corner apple-vending are not American ways of dealing with business emergencies.—*Extracts, reprint, see 12, p. 224.*



ON the subject of stabilizing employment little can be done without the cooperation of employers. For this reason I advocate the principle embodied in the Huber Bill, as introduced in revised form in the Wisconsin legislature in 1925. It is an Unemployment Compensation bill, modeled after the Accident Compensation law of Wisconsin. It recognizes that neither the state nor the trade unions can prevent unemployment. They can only relieve it and cannot prevent it.

Neither can individual employers wholly prevent it. Employers must cooperate with each other, and the Huber bill provides for Employers' Mutual Associations, the same as is done in the Accident Compensation law. These "mutuals" in Wisconsin already handle 56 per cent of the workmen's accident compensation cases. With the help of the State Industrial Commission they have done excellent work in the prevention of accidents. They are fitted also to take over unemployment compensation and unemployment prevention.

The Huber Bill also provides for so-called "self-insurance," which is really not insurance at all, but is an Unemployment Reserve carried by an individual company, if financially responsible, for the payment of unemployment compensation to its own employees. It is these self-insurers under workmen's compensation who have taken the lead in accident prevention. They handle 19 per cent of the accident compensation cases in Wisconsin, leaving only 25 per cent for private insurance companies. They also can readily take over unemployment compensation and unemployment prevention.

Self-insurance is exactly what corporations do for their stockholders. They set up Reserves for Dividends in prosperous times in order to pay dividends to stockholders when their plants are idle. It is these Reserves that make corporation stocks almost as good as bonds, and the remarkable way in which the stocks of such companies keep up their high values in this period of depression is largely due to Dividend Reserves for Unemployed Capital. So the Huber bill provides for unemployment Reserves for Unemployed Labor, just as the Accident Compensation law provides Accident Reserves for Injured Labor.

If, however, an employer is not able or does not wish to carry his own reserves, he can join with other employers in a cooperative Unemployment company, with joint reserves.

The essential point is that each employer becomes responsible for unemployment compensation for his own employees, and can reduce the burden of compensation either by stabilizing his employment or by finding employment for them with other employers. That is to say, each employer is induced to prevent unemployment, which is equally important for laborers and for the state as a whole as compensation when out of work. Unemployment compensation is inducement to unemployment prevention.

It is similar to the Accident Compensation law. That law has done much to build up in Wisconsin what we call the "Safety Spirit," which is the spirit of accident

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# Jackson Cont'd

cause when anything gets too big, the law of diminishing returns inevitably begins to operate. Seven or more years of industrial excess expansion require a year or more of excess contraction to balance the books. Our economic health requires it. The remedy for it is voluntary self-control on the part of producers, distributors and consumers, and a cultural wage rather than a living wage for employees. Any attempt to apply remedy without dealing with the cause of the trouble is like trying to purify the water in a well by painting the pump.

There is another collateral but real cause of unemployment and a corresponding remedy. Bernard Shaw says that the trouble with the poor is their poverty. Likewise, the chief trouble about unemployment is the number of employees who are unemployed. That is to say, there are more job seekers than there are jobs.

One obvious effective remedy is to decrease the number of job seekers by the practice of birth control. Whenever this remedy is applied, it is a guaranteed cure for unemployment, as in France, for example. Of the 29 countries in Europe, France is the only one which has not for many years been cursed with the tragic burden of unemployment. The number of citizens is no larger than the resources of the country will support. In France the subject was not beclouded by mysterious irrelevances.

To abolish the evil of unemployment we need to organize it. Provide a reserve out of which to pay holiday wages in periods of unemployment. The seven fat years of prosperity should carry the one lean year of adversity, that is a portion of the profits earned during prosperous years should be established for use during a year when there are no profits.

It is essential that the practice of paying holiday wages in periods of unemployment should everywhere be accepted in principle as both a just and a wise economic policy. We already apply this principle to capital investments. In prosperous periods we set up a reserve out of which to pay dividends in periods of depression. It is taking only a little step to suggest that we should apply exactly the same principle to labor power.

It seems to me to be obvious that the insurance principle cannot properly be applied to the unemployment risk for two basic reasons. First: the hazard of unemployment is due to so many unforeseen and uncontrollable factors that they are not subject to calculation. Second: it is not a risk common to all employees as among industries or even in the same industry. Unemployment is an artificial and preventable hazard and it is not a fact that all men are subject to the hazard. Even in times of severe depression we know that certain employees will not be unemployed.

Hence the application of the insurance principle on a sound actuarial basis to the unemployment hazard is an impossibility. Of course it is possible to guess at the amount of unemployment and make all industries included in a plan share the expenses as they have done in England. This is the insurance method, but as applied to the unemployment risk, it is not financially sound nor is it fair to make an industry with very little unemployment bear the expense of another industry with a large amount of unemployment.

We think the fair and feasible policy is for those most responsible for the risk and those most subject to it, to create the reserve fund necessary to meet the hazard.

Deposits in the wage reserve fund should be made by the employer and employee jointly. It is sometimes suggested that the state should join the employer and employee, each bearing one-third of the expense. We do not think so. We believe it is wrong in principle and worse in practice.

It is wrong in principle because every industry should bear its own operating expense as a proper charge against production costs. To ask the state to help an industry pay the cost of maintaining its labor force, would be doing just what, in fact, industries are now doing informally and which is the thing that should be corrected. In times of prosperity an industry uses its whole labor force to take advantage of its business opportunity, but in times of depression, it hands over its labor reserve as a burden on the public. The public sometimes absorbs it and sometimes, as at present, meets it partially by the humiliating method of charity.

So far as the cost of a reserve wage fund is concerned, the amount paid for it, especially by the employer, would probably be about the same whether it was paid directly into the fund or indirectly through taxes, because we are now a nation of employees. The body of citizens and the body of employees is almost identical. Moreover, if the state contributed a share of the cost, it would necessarily cause the plan to be regarded as a dole or charity, which is distasteful to self-respecting American workmen. To be effective, every element of charity should be eliminated and the plan put strictly on a business basis. State participation is bad in practice. It involves a cumbersome amount of red tape.

More particularly, an enterprise like this cannot be operated effectively by the Government. It is too far away from the facts and it lacks the financial incentive to secure the desired results. Nor can this program be operated effectively by the employer. There is only one way it can be properly operated, that is, as a joint enterprise of employer and employee.

The expense for this protection should be borne by those most responsible for the risk, most subject to the risk, and who benefit most from the protection. The same flat rate should not be charged to the man who runs very little risk of unemployment and the man who runs a big risk. To whatever extent unemployment may be prevented by the effort of employer or employee, to that extent the prevention achieved should be reflected in a saving to both, so that a financial incentive may automatically stimulate the work of prevention. Thus if an employer, by management and forethought, is able to eliminate unemployment entirely from his labor force, the unemployment wage protection will cost him nothing.

Temporary unemployment due to the invention of labor-saving machinery, is a type by itself. It is inevitable. We can't prevent it by smashing the machinery. That would be like throwing out the baby with the bath. The hardship caused can be mitigated by the use of a little humane consideration in making the replacement gradual and the effective use of labor exchanges.

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prevention. So the Huber bill would help to build up the Employment Spirit, which is the spirit of unemployment prevention.

This is the reason why the State should not, by law, require the wage-earners to contribute to unemployment insurance, just as it does not require them to contribute to accident insurance. Wage-earners cannot prevent unemployment, because they do not own and control the industry. The Huber bill places the burden—a very small burden of \$1.00 per day during 13 weeks of unemployment—solely on the employer. If the wage-earners, of their own volition, wish to increase this inadequate compensation, they can of course contribute. I favor these employee contributions, but they should be voluntary not compulsory. In the Chicago clothing market, where I helped to install the system, the employers voluntarily pay two-thirds and the employees voluntarily pay one-third of the compensations.

I do not favor a State Insurance Fund until the Federal Government comes to the aid of the states. I understand that such a bill will be introduced in Congress. If that is done then the State and Federal Governments might provide for long-continued unemployment, as is now done in England and Germany, beyond the 13 weeks of the Huber bill. Employers cannot possibly prevent or compensate such long-continued unemployment as occurred in 1921 and is now occurring since last July. That is a national and even world-wide problem of falling prices and the scarcity of gold, and the state of Wisconsin can do nothing about it.

The State and Federal Governments can also conduct public employment offices, which are necessary in any scheme for reducing the amount of unemployment. This is now already done in Wisconsin at the expense of taxpayers, with its ten employment offices managed by the state Industrial Commission in cooperation, at least in Milwaukee, with a local advisory committee of employers, employees, and the city and county governments. In the accident compensation law the employer pays the doctor in order to shorten the period of disability. In the Huber Unemployment bill the employer would pay the state for conducting its free employment offices in order to shorten the period of unemployment.

It is true, unfortunately, that laborers would still be compelled to bear the bulk of the burden of unemployment through no fault of their own, just as they bear the bulk of the burden of accidents, notwithstanding the compensation law. But laborers can voluntarily contribute, during periods of full employment, and it should be expected that progressive employers would go beyond the meagre requirements of the Huber bill. Too much cannot be expected of legislation. It is compulsion, and therefore the legislature should not compel by law more than a moderate minimum compensation. Everything, after all, depends on the spirit with which employers and employees are willing to go ahead. But legislation can help them get the spirit, by compulsion upon the more obstinate, inhuman and incompetent employers. Others will do far more than the law can compel.—*Extracts, see 4, p. 224.*

**A** NEW word has appeared in our American vocabulary, or rather, an old word with so many new and varied applications that it has become indispensable. Perhaps it is well, because the term Bolshevism as a handy label for everything that is undesirable has been overworked and is becoming painfully hackneyed.

The new word which has proved a godsend to press, politicians, and various reactionaries is the ubiquitous "dole," one meaning a gift of charity, but now quite useful as a means of discrediting anything to which the speaker objects. Drought relief, veterans' loans, loans for farmers, and public employment offices are some of the diverse things so classified. Unemployment insurance particularly, however, seems to be anathematized in this way. On the other hand, advocates of these particular measures point out that the term can be more aptly applied to bread lines, police handouts and coal and milk funds.

We read about doles for business men through the tariff and government services, doles for investors through reserves set aside to pay dividends on idle capital, doles for farmers through government purchases of surplus wheat and through government loans, and doles for workers through systems of unemployment insurance which are being agitated but have not yet been put into effect. Altogether, it leaves the confused bystander with an impression of a lively game of "Tag! You're It!"

However, the odds are not altogether even. Established institutions and customs can withstand this battery of verbiage, but progressives who are fighting for new causes find it a tremendous handicap.

In 1911 Great Britain adopted a scheme of unemployment insurance. It was carefully worked out on an actuarial basis and functioned smoothly until the war, and after it was over, the country had to meet the problem caused by floods of unemployed munition workers and demobilized soldiers. These people had made possible the country's success in war; it could not let them starve when the war was over. The simplest solution at the time seemed to be to extend the unemployment insurance scheme to include these groups, but that necessitated violating the very principles upon which the scheme had been founded. The insurance plan was sacrificed on the altar of post-war need. Now, some twelve years later, British economists regret that the relief principle became hopelessly entangled with the insurance scheme. The theories back of the two are separate and distinct.

Society has become too refined to permit its members to starve en masse, so England would have had to care for these unfortunates anyway; and its provision for them would to a large extent have had to be in the nature of a dole system, whether or not it was labeled unemployment insurance, just as in America today we are meeting the problem of a widespread depression mainly through charity.

The trend of public opinion in this country, however, is veering sharply toward some form of unemployment insurance. Of approximately five hundred editorials on unemployment insurance in daily papers since July 1, as garnered through a press clipping agency by the American

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**Jackson Cont'd**

Seasonal unemployment is also a special type requiring separate treatment. The correction for it is to be found by rationalizing management and by cooperation among seasonal trades in which the slack period of one corresponds to the peak period of another.

The Wage Reserve Plan is designed to furnish unemployment protection for those employees who may properly be regarded as a reserve of labor needed for use in normally prosperous times.—*Extracts, see 10, p. 224.*

**by P. Tecumseh Sherman**

**C**OMPULSORY insurance offers more attractions to the impatient or radical reformer than voluntary insurance. Through compulsion, a complete system of social insurances can be organized and made largely effective almost immediately. The protection can be extended to those whom voluntary insurance would never reach and to those who could or would seldom qualify for the benefits of voluntary insurance. The cost can be distributed as widely and as variously as may be desired. And the financial requirements for solvency need not be strictly observed—since the intended beneficiaries can be protected by the simple device of obligating the taxpayers to guarantee all deficits. But, unless what is wanted is a leap in the dark, without the general public having even the remotest appreciation of the ultimate consequences, it is necessary, before the adoption of any line or system of compulsory insurance, thoroughly and publicly to thrash out at least the following questions:—

Should the insurances be developed gradually (as in Germany), or be fully developed at the start (as in the recent French law)? Should compulsion to insure apply to approximately all grades of "employees" (as in Germany), or only to the lower paid wageworkers (as in France)? As to each separate line of insurance:—Should the insurance be organized by "industry" and varied to suit each industry, or should it be organized communistically, with one stereotyped plan for all employments? Should the insurance be financed on the "current cost" or the "full reserve" plan? Should the contributions be "flat" or proportionate to wages, and the money benefits proportionate to needs or to contributions? Should the compulsory insurance provide merely an *existens minum* or should it be sufficient to maintain standards of living? What proportions of the cost should be contributed by the insured, their employers and the taxpayers respectively? Should the insurance be administered by state agencies or by voluntary organizations selected by the insured or their employers? And should optional substitutes for the insurance, promising equal or greater benefits, be permitted?

In France all such questions as these were widely and warmly debated during the eight years that bills leading up to the French compulsory social insurance law, which recently took effect, were pending in Parliament. Even then, however, owing to hurried patchwork, compromises and vote-trading in the final Parliamentary stages, the resulting legislation is a hodge-podge, which violates

every principle sought to be observed and which will fall far short of operating according to popular expectations. This experience is worth noting for the reason that it is characteristic of the misadventures to be feared if we should rely upon legislative action for the solution of social insurance problems.

In studying these problems, we, in America, should, in my opinion, be guided by the following considerations:—

*First.* Compulsory insurance is *per se* an evil we should seek to avoid. To compel insurance of the payment of legal liabilities to others, as under the workmen's compensation law, is one thing, whereas it is an entirely different matter for the States to dictate to the people how they shall provide for themselves. The latter is contrary to the spirit of our institutions and the deep-rooted instincts of our people. Besides multiplying bureaucracy, compulsory insurance, if effective, would result in the imposition upon many of what is contrary not only to their wishes but also to their natural rights and best interests. By depriving the self-provident of their margin for savings, to be distributed for common wants, it would tend to reduce all the insured to one common proletarian level, and such level lower than the average otherwise attainable. And, unless introduced slowly and insidiously, compulsory social insurance would arouse resistance and evasions, with consequences similar to those which have characterized the attempt to enforce prohibition. Even in less individualistic countries, some compulsory social insurance laws have been nullified by the resistance of the supposed beneficiaries, while others have been saved from nullification only by large bribes to the insured out of the taxpayers' moneys.

*Second.* Though the State ought to supervise and in many ways may assist in the development of social insurances, it is the last resort to be looked to for the initiation, direction or administration of any social insurance. For, under a democratic form of government, the assumption of such functions by the State would inevitably result in insurance the cost of which would be assessed and the benefits of which would be distributed among the people as political influences, brought to bear upon vote-seeking legislators, might from time to time dictate. Such political insurance would be only too apt to be perverted largely to unavowable purposes—as the social insurances in Great Britain have been largely perverted into media for an indiscriminate redistribution of wealth. Inevitably, such insurances incite to reliance upon political action for securing the means of livelihood to the neglect of industry and self-providence, whereas true social insurance needs to be developed in accordance with economic principles to assist self-providence and make secure the rewards of industry. Moreover, good insurance cannot be static, but needs to be developed experimentally and progressively, to meet changing wants and conditions; and bureaucratic administration and political control and direction are notoriously inefficient for such purpose. Finally, in America, the difficulties in the way of establishing an equitable and efficient public system of social insurance would be immensely aggravated by our Federal system of government, the existence of State lines and the mobility of our population. An obvious way of avoiding these difficulties—that of confiding the

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**Walker Cont'd**

Association for Labor Legislation, only one hundred and nine have been antagonistic. Two hundred and seven have favored such a system and the remainder have been non-committal. Not only editors but also business men, economists, labor leaders, social workers, and religious groups advocating unemployment insurance are daily becoming more numerous. Bills providing for unemployment insurance have already been introduced in nearly a score of state legislatures.

Unemployment insurance is a momentous question. It deserves careful and impartial study. To throw up a smoke screen by attempting to condemn the whole plan as a dole is not worthy of intelligent citizens.—*Extracts, see 12, p. 224.*

▼  
**by I. M. Rubinow**

**N**EVER in the history of the American social insurance movement was there such a clamor for information. Since no statistics seem to be available, one way or the other, little reliance is placed upon the statistical data. It might not do to point at the great cost involved because that of itself would be an indirect admission of the dimensions of the problem. So the difficulties of proper legislation are used in defense.

Unemployment insurance is impractical. We cannot go by European experience, because we are a so much larger country. How can Czecho-Slovakia or Germany or even England serve as an object lesson to the greatest and richest country in the world? It is true that we were willing to adopt salvans from Germany, or T. N. T. from England, or even go to Carlsbad for a cure; but that, of course, is quite a different matter. Our mobility of labor is so very much greater; and thus one of the great tragedies of American economic life, itself a consequence of the thorough disorganization of our labor market and of the absence of security on the part of the workman, is used as an argument against efforts to achieve that organization and that security.

And even if we were able to follow English experience, look what the results have been in England! A thorough demoralization and pauperization of the English masses. Of course, evidence of such demoralization is easy to find. It is found in the fact that English prisons are being torn down, while we are busily engaged floating loans to build new ones. It is found in the fact that the curve in English crime is downward and ours is upward. It is found in the fact that infant mortality in poor England is 30 or 40 per cent. below that of our own richest country in the world. It is also found in the fact that that very same infant mortality in the last six months after ten years of unemployment has been the lowest, even in England.

And if all these arguments should fail, still the slogan remains, so forcefully announced by President Green of the American Federation of Labor, and immediately ac-

cepted by the sage of Northampton: "The American workingman wants a job and not a dole." It is the same good old friend, "prevention versus insurance." Prevent accidents rather than compensate them, substitute health measures for health insurance, savings instead of old age security, and of course jobs instead of the dole. Somehow or other it is never argued that fire prevention is better than fire insurance, perhaps because no movement for compulsory, universal state fire insurance has ever developed in this country.

It is well to beware of the prevention argument so much used in every field of insurance. The argument is subtle, seemingly convincing. It is difficult to contradict because of the sympathy for its own ideals, and it has frequently been successful in capturing even the ardent reformer. That it is used as a red herring across the path of social progress; that it is fundamentally dishonest in creating the appearance of an alternative when no alternative is present, is a conclusion which only years of experience in the struggle for progressive legislation will teach.

That the struggle for social insurance is a struggle for public interest; that the obstinate opposition to social insurance is largely a defense of private vested interests—that is demonstrated not so much by an analysis of *a priori* arguments as by the very history of the movement; by the fact that it continues to grow in the face of obstinate criticism and opposition; that in fifty years practically not a single step has been taken backwards, not a single structure of social insurance demolished; that the very opponents have almost invariably adjusted themselves to that legislation; that they have accepted it and learned to appreciate its value, and sometimes—sometimes—are honest enough to admit it.—*Extracts, see 12, p. 224.*

▼  
**by Margaret Bondfield**

**Upholding Great Britain's System**

**W**HEN the Unemployment Insurance scheme was introduced, twenty years ago, very little was known of the composition of the unemployed. The scheme was an experiment and experiments have been continued, and extended, down to the latest amendment in 1930. It was perhaps inevitable that the scheme should have been introduced on a uniform basis, and equally inevitable that it should be extended, and amended, to meet changing conditions. Too little was known about unemployment to enable the framers of the scheme to differentiate between various classes of persons. The development of the future will probably be in the direction of greater differentiation, in the insurance scheme, to meet individual needs and economic needs, proceeding side by side with greater control over the labor market, in co-operation between employers, trade unions and Employment Exchanges.

Unemployment Insurance is gradually losing the essentially provisional character that marked its early stages, and it is being placed on an increasingly scientific and permanent basis. At the same time its financial organiza-

*Continued on page 226*

# Sherman Cont'd

solution of the problems of social insurance to the tender mercies of Congress—is subject to too many and serious objections to merit consideration.

*Third.* Though the present crisis calls for emergency measures for the relief of distress and for immediate study of ways and means to prevent recurrences of like distress, it is a very bad time for the actual adoption of anything in the line of social insurance that, once adopted, it would be difficult to discard. There is too much hysteria and quackery in the air. And there are too many delusions current about the supposed benefits of the European social insurances and too much ignorance of their shortcomings, their dangerous tendencies and their cost—particularly of the huge burden of bureaucracy they entail and of their depressing effects upon the earnings and opportunities of the efficient and industrious workers.

To conclude: The problems under consideration are serious and pressing. But they need to be dealt with thoughtfully and cautiously. Their proper solution will require patient efforts on the part of the people generally and of those more directly concerned with industry in particular. Legislative intervention should be resorted to with caution. Our people have too much to lose to experiment rashly with dubious social panaceas. And they certainly will lose much if they allow themselves to be stampeded into ill-considered departures from our established principles of government in the direction of collectivism or bureaucratic paternalism.—*Extracts, see 14, p. 224.*

## by Winthrop Waite

**A**S an actuary and underwriter of workmen's compensation and liability insurances, I have for many years wrestled with the problem of unemployment insurance as well as old age insurance or otherwise retirement insurance in industry. So have many others with practical and technical knowledge and ability. But we can arrive at absolutely no other conclusion than that only two parties to the program can directly pay the premiums. These are the employer and employee. The state cannot pay any part, for there is no "state." The public, which, unfortunately, includes every state in the United States of America, pays the ultimate indirect cost, as is done now with workmen's compensation, and in this "public" is included, of course, the two originals to the compact—the employer and the employee.

Going a little farther: If the public all over the United States of America contributes through the purchase of goods manufactured or produced under unemployment insurance in the State of New York alone the cost of New York-made articles will be so much higher than the cost of similar articles produced elsewhere as to be a serious cause of further unemployment in New York State until such a time as the whole United States is equalized under similar law. In other words, unemployment insurance, highly desirable as it may be in some proper form yet to be determined, will actually cause

more unemployment and thus defeat its own end if merely imposed by legislative ukase on industry.

It is one thing to glibly announce unemployment insurance in this fashion and another to make it work. Workmen's compensation is a success simply because we have the ways and means of raising the many millions of dollars annually required as premiums in this state to pay the still more millions of dollars worth of losses.

The losses are always outstripping the premiums collected and have done so since the very first day of June, 1912, when workmen's compensation first became compulsory and operative in New York State. This is met by constant increase in rates year after year. Another rate increase takes place in January, 1931. The reason for this is that the New York State Legislature is always increasing the benefits and adding new causes of "injury" and "occupational disease" to the statute, all of which I have no quarrel with, but merely cite as a practical example of the necessities which the future brings into any scheme of this sort, and which are never calculated upon at the outset.

Any scheme of insurance that pays benefits too small to replace the actual damage done by loss is worth nothing. It is a mere aggravation. The one ray of hope in working out a rational scheme for unemployment seems to lie in the infrequency of the loss periods. Insurance has solved many bitter problems in human existence, where the frequency of loss is very high. Workmen's compensation is a shining example. The severity of loss caused by unemployment is quite another matter. It is quite evident that the severity of the present depression or period of unemployment is going to be much greater than most people realized at the beginning a year ago. All this has to be provided for in advance in any practical scheme of unemployment insurance. This means, in turn, that the adequacy of rates necessary to carry unemployment insurance will be very high—perhaps as high as, if not higher, than now worked out for workmen's compensation.

Then there must be added the cost of administration, which simply cannot be ignored. This consumes as high as 42 cents of the premium dollar in compensation where the state collects taxes against private insurance carriers, and it is unlikely that any unemployment insurance, competitive or otherwise, could do better than the state is now doing in workmen's compensation where it does not collect taxes, and the average administration cost is around 18 cents on the dollar.

Going back again to those on whom it would have to fall directly, we can ask ourselves which—the employer or the employee, or both? In my own mind I believe that the employee should bear the major part as a sort of compulsory savings plan forced on him by the state. We certainly need this sort of thing. The way the employee has squandered money in the last decade has shattered all traditions of thrift, notwithstanding the high sounding arguments of those who believe in high wages and consequent big spending as a means to an endless chain of prosperity. If the employee contributes more under insurance he certainly will pay less in the indirect tax of consumption.

*Continued on page 221*



# Bondfield *Cont'd*

tion is still rather unsettled, and continues to raise numerous problems. At the present moment the question of the administrative and financial organization of unemployment insurance is one of the most important problems of social policy. The important task now is to stabilize the system, and definitely to fix its relations with the general administration of other social insurances, and more especially to adapt it as closely as possible to the needs of the economic system.

Now before you can understand a kind of problems to be solved in devising a stable unemployment insurance scheme you must have regard to the incidence and distribution of unemployment among the various classes of workers.

One of the great advantages of twenty years experience of unemployment insurance is that we know more about our unemployed than any other country in the world. In order to get benefit a man must register himself at an Exchange where he gives full particulars of his industrial history, his age, qualifications and the reasons for losing his employment. This gives us a very sensitive register of the unemployed. It is in some ways a disadvantage. You all know the weekly dose of depression which appears in the English press every week. We are the only country in the world to advertise the fact. America gives no such return, and there is no accurate measure of the amount of unemployment. The result of our publication of a weekly figure is that people, both at home and abroad, think this country has a standing army of a million and a half unemployed. This, of course, is quite untrue.

Of the unemployed 90,000 are boys and girls scattered over the country, many of whom have left school and are waiting the opportunity of entering industry. About a quarter of the total consist of women. Nearly 100,000 of the total are persons in casual employment who are not at work when the count is taken, but who are at work on other days of the week. Another half a million are persons who are temporarily stopped owing to short time, bad weather, breakdown of machinery and other causes; they are claiming benefit because they have insured themselves against that risk. No person can get benefit unless he is unemployed for three days out of six. Many people register as unemployed, on a day when they are involuntarily idle, as a precautionary measure; they may find they have to claim benefit if they are unemployed so long. If you look at the industrial distribution you find that the export trades are responsible for two thirds of the total number of unemployed. Nearly one third of the total number of women unemployed are in the cotton trade of Lancashire, which is going through a period of severe depression and reorganization at the present time.

A good deal of the criticism of unemployment insurance and the quite erroneous idea that it is a dole has been due to confusion between unemployment insurance and Poor Law. Out-door relief or Poor Law relief is administered by bodies appointed by the County Councils. It is essentially a Local Government and not a National Government responsibility.

It is the duty of these authorities (known as Public Assistance Committees) to relieve destitution. That is to say, their payments are discriminating and discretionary.

They are based on need, whereas the rates of unemployment benefit are fixed by Act of Parliament for each class, and are paid not according to need but in return for premiums paid to cover the risk of unemployment.

Under a strict contributory insurance scheme a man who is qualified for benefit has not been unemployed long enough to feel the demoralising effects of idleness. It is not generally realized that over 60 per cent of the persons registered as unemployed at any time have been unemployed for less than a month. There is a constant change in the personnel of the unemployed, and there is no stigma attached to the receipt of unemployment benefit during periods of temporary unemployment.

This question of the payment of benefit to large numbers of unemployed workpeople leads to another question, namely, who pays the bill? There is a good deal of competition for the credit—or as it is usually regarded—the discredit of meeting the cost of involuntary unemployment. It is like the song "Who Killed Cock Robin?" All claim some share in the funeral. The middle class tax-payer grumbles and the industrialist talks vaguely of the burden on industry. Under the present system the cost of unemployment benefit is paid practically in equal thirds by the worker, the employer and the State. As regards the first two partners in this tri-partite arrangement the cost is distributed even per capita of the insured population in employment. Probably about one third of the insured population of twelve million persons never claim benefit at all in their industrial lives, though, of course, it cannot be foretold which individuals will escape the risk of unemployment. The fact remains that it is the persons in employment and their employers, assisted, of course by the State, who pay for the persons out of work. The cost is easily borne when it is spread over eleven million workers in employment, their employers and the State. An unemployed workman who has paid 15s. by way of contribution in two years is able to draw benefit at the rate of 17s. per week if he is single, and 26s. if he is married, with an allowance of 2s. for each child. This provision would be quite beyond the power of an individual workman to provide by thrift.

It is probable that in this present time of economic difficulties this arrangement best meets our needs. Any system of insurance by industry would probably have failed to withstand the heavy unemployment in the last few years in the export industries.

Scientifically organized industry calls for a higher type of employee than in the past. The efficient workman leads not merely to an increase in the national income; increased efficiency in one section of production benefits the others. When we allow for the exceptional emergency we in Great Britain have been passing through during the last few years we shall find that adequate provision through an unemployment insurance scheme against periods of forced idleness assists employers, as well as helping workpeople by removing the fear of unemployment. It constitutes the finest example of wage spreading both as regards the individual and industries, that has ever been brought into existence.

It is now a vital part of our social structure and will remain so whatever changes are necessary in the scheme itself to meet changing conditions.—*Extracts, see 4, p. 224.*

### Waite Cont'd

The ratio the employer should pay is a delicate question fraught with economic dynamite. In the first place, he has no fear of unemployment, much as he may dislike it, for in theory mere unemployment causes him no loss to insure against. What causes his loss is lack of consumption and reduced production and sales—however brought about. Those of us experienced in the science of insurance know that fear-thought is the chief motivation for the entire fabric of insurance. This dreaded stalker of unemployment can be counted on, I believe, to make the worker pay properly proportioned premiums cheerfully if he is once convinced of sound methods and honest administration guaranteed by the state. But can the employer be made to pay anything at all by the same token except as a direct penalty imposed on him by the state for the privilege of doing business therein?

Those of us who know how badly the state has muddled in taxation, how unjust and how silly some of the various provisions of income tax are, for example, know that many employers, particularly the smaller ones, who are the largest numerically, would simply resist the scheme to the point of quitting business in the state if they could not be shown a direct benefit. It took many years to show employers generally the direct benefits to them of workmen's compensation. But there were actually direct benefits immediately available to the employers of the state under workmen's compensation, however obscured in the beginning by prejudice. What are the direct benefits of unemployment insurance going to be to the employer, we can quite properly ask, before setting out to plan any scheme of insurance in which he has to pay perhaps the major part in premium raising?

I for one am not convinced of the entire soundness of the economic theory so often advanced that continuous high wages (which means, of course, no unemployment) are the fountain source of all production, consumption and prosperity. There is something missing here, something that has so far baffled expert research.—*Extracts, see 6, p. 224.*

by Harold Cox

### ¶ Opposing Great Britain's System

**M**OST of us have long ago learned that in order to get wages a man must offer work which somebody wants, and must take the trouble to discover that somebody. If he fails to do this, he is not justified in asking Parliament to force other people to pay him a wage for doing something which they do not want done. Possibly many people might be willing, as they certainly ought to be willing, to give him a helping hand. The duty of the strong to help the weak, of the fortunate to help the unfortunate, is instinctive in us because we are human beings. The beasts of the forest have no such instinct; they are pitiless to one another. But this duty that men feel, because they are men, is not discharged, it is not even recognized, when the State compulsorily takes from

Tom, Dick, and Harry part of the wages which they earn, or part of the property which they possess, and hands the money over to some individual whom they perhaps have never seen. There is no trace of human kindness in such a transaction as this. The whole proceeding is impersonal and mechanical. It cannot possibly create any feeling of comradeship, or of sympathy with suffering. On the contrary, it may easily create a bitter sense of injustice and wrong. Therefore, on moral grounds, there is nothing whatever to be said in defense of the Socialist proposal that people who have failed to find work—including those who have not looked for it—should be provided with wages by the State at the expense of men who have been more persistent or more fortunate.

The position will be made clearer by taking a simple illustration. Suppose that an extra tax of £100 a year is imposed upon a well-to-do citizen in order to obtain money for paying wages to the unemployed, and suppose that the well-to-do citizen finds that the most convenient way of meeting this extra burden is to get rid of one of his gardeners. It then becomes obvious that the supposed remedy has done nothing to remove the evil of unemployment. One unemployed man has been brought into employment, one gardener has been thrown out of employment.

That is what always happens, and always must happen. Every penny of public money raised by taxation comes out of private pockets, and therefore every plus of public expenditure is accompanied by a minus of private expenditure. At the very best, government expenditure, whether for the benefit of the unemployed or for any other purpose, only shifts employment; it takes away work from the persons who would have been employed by private individuals, and gives work to the persons selected for State employment.

We cannot create additional employment unless simultaneously we create individual wealth to pay for it.

We can only diminish that evil by improving the organization of industry so that work is made less irregular, and by increasing the efficiency of labor so that more wealth is produced.

The wealth production of this country is very seriously diminished by the prevalence of the absurd theory that a man who works hard is keeping another man out of a job. If this were true, then it would follow that the best way in which a workman could help his comrades would be by doing no work at all, which leads to the absurdity that constant employment will be secured for everybody when nobody does any work. The fallacy, of course, arises from forgetfulness of the fact that the wealth produced by the work of one man constitutes the wages of another, and that the real employers of the working classes are, in the main, the working classes themselves. The more wealth each workman produces the greater is the sum available for the wages of other workmen. Unfortunately, the absurd theory above referred to is not only widely held, but widely acted upon. Many workmen, when paid by time, deliberately make a rule of doing, not the maximum which their strength and health would reasonably permit, but the minimum which will pass muster with the foreman. The amount of labor power thus annually wasted and lost forever is incalculable.—*Extracts, see 11, p. 224.*

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## Glossary

(Cont'd from page 199)

when he has been out of work for a certain length of time and is unable to obtain employment, and has fulfilled certain conditions.

**Unemployment insurance.**—Insurance against the financial loss resulting from involuntary unemployment.

**Unemployment relief.**—Gratuitous money allowances, or work, furnished either under organized insurance systems or by public or private organizations to workers in need because of involuntary unemployment.

**Wage earner.**—Workers, usually manual or mechanical, who are paid at short stated intervals—by the hour, day, or week. Includes piece workers.

**Workmen's compensation law.**—A law requiring certain classes of employers to pay specified amounts as compensation to employees injured while in their employ, or to their dependents in case of death, and in most cases providing that employers insure such risks in an insurance company or State fund or give guaranties of their financial responsibility.

**Uncovenanted benefits.**—Same as "Extended benefits" and "Transitional benefits." (See "Extended benefits.")

## Details of Plans Summarized

(Cont'd from page 200)

Administered by Board of Trustees, equal numbers representing manufacturer and union (up to 3 each), and an impartial chairman. No salaries at all.

### III. Company Plans

#### III(A) DENNISON MANUFACTURING COMPANY.

Covers all workers of the company (salaried employees excluded until 1927).

**Contributions:** Fund started in 1916 with \$20,000 grant by company. Company makes grants as it sees fit. (Fund not allowed to drop below \$50,000).

**Qualifications:** Six months' service requirement added in 1926 and usual qualifications on availability and willingness.

**Benefit:** No waiting period. When unemployed, worker is shifted to another department, difference in wages payable from fund. If laid off entirely, 80% of wages is paid to workers with dependents; 60% to those without. Recently, maximum limit was put on benefit of \$24 weekly, with dependents; \$16 without.

Administered by Conference Committee appointed by General Works Committee and the Management.

#### III(B) LEEDS AND NORTHRUP.

Covers Permanent workers of company with three months' service earning less than \$2,600 yearly.

**Contributions:** Company maintains fund at twice maximum weekly payroll of preceding 12 months period.

**Qualifications:** 3 months' service and usual qualifications on availability and willingness.

**Benefit:** No waiting period. 50% of amount of reduction of wages (part time or transfer), or of full wages, if laid off, without dependents; 75% with. Maximum period depends on length

of service, varying from 3 weeks of compensation after 3 months' service to 26 weeks after 5 years' service.

Administered by Joint Committee of Council and the Executive Committee, called the Unemployment Fund Committee.

#### III(C) GENERAL ELECTRIC.

Covers any worker with one year's service is eligible. 60% of eligible workers must give affirmative vote to put plan in effect in any works.

**Contributions:** 1% of earnings for 3 years, but only so long as such earnings are 50% of full time wages. (Special emergency contributions provided for.) General Electric Company contributes an equal amount.

**Qualifications:** Must be contributing worker and usual qualifications on availability and willingness.

**Benefits:** After 2 weeks' waiting period, worker receives 50% of weekly earnings with \$20 per week maximum. 10 weeks' payment per year maximum.

Administered by Board of Trustees of not less than 4 members and not more than 16, ¾ representing the contributing workers and the other half the Company.

#### III(D) FOND DU LAC, WISCONSIN, GROUP.

Covers all factory and office workers of 5 companies with 2 years' experience.

**Contributions:** All claims are paid from fund provided by Companies alone.

**Qualifications:** 2 years' service and usual qualifications on availability and willingness.

**Benefit:** After 15 days waiting period worker receives 65% average earnings during year preceding unemployment, for a maximum duration of 100 days. Available employment in any company is given unemployed worker.

Administered by State Industrial Commission (acting as referee). 5-year contract, but any company may withdraw at end of any year.—*Extracts*, see 2, p. 224.

## President Hoover and Unemployment Insurance

(Continued from page 196)

"The plan has been advocated by business and labor leaders.

"There is some discussion that the President may call a conference of business leaders, as he did in November, 1929, following the stock market drop, and appeal to them to accept the plan."—*Extracts.*

## The U. S. Constitution and Compulsory Unemployment Insurance

(Continued from page 197)

of highway construction, vocational guidance, and maternity education has shown this method to be effective in stimulating the individual states to undertake certain activities. At the moment it appears to be the only effective constitutional way whereby the federal government can play a part in bringing compulsory unemployment insurance into existence in the United States.

### ▼ This Month's Contributors ▼

**John B. Andrews**, Secretary, American Association for Labor Legislation and editor, *American Labor Legislation Review*.

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